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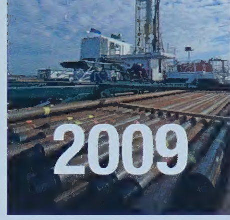

Pure Energy Services Ltd.
2009 MD & A and Consolidated Financial Statements

Management's Discussion and Analysis

The following Management's Discussion and Analysis ("MD&A") is for the consolidated financial statements of Pure Energy Services Ltd. (the "Corporation" or "Pure") as at and for the three and twelve month periods ended December 31, 2009 and 2008. The consolidated financial statements and MD&A have been prepared taking into consideration information available as at March 16, 2010 and should be read in conjunction with the audited consolidated financial statements of the Corporation for the years ended December 31, 2009 and 2008. Additional information relating to the Corporation, including the Corporation's Annual Information Form, is available on the Canadian System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com. Unless otherwise indicated, references in this MD&A to "$" or "Dollars" are to Canadian dollars.

Readers are cautioned that this MD&A contains certain forward-looking information. Please see "Forward-Looking Statements" for a discussion concerning the use of such information in this MD&A.

Selected Consolidated Financial Information

	Three months ended December 31			Year ended December 31		
($ thousands except per share amounts)	**2009**	2008	Change	**2009**	2008	Change
Continuing operations						
Revenue	**$ 37,072**	$ 40,394	(8%)	**$ 114,694**	$ 142,474	(19%)
Gross margin	**$ 4,963**	$ 10,000	(50%)	**$ 15,215**	$ 35,673	(57%)
Gross margin %	**13%**	25%	(48%)	**13%**	25%	(48%)
General and admin. expenses	**$ 4,865**	$ 5,074	(4%)	**$ 18,054**	$ 19,174	(6%)
EBITDA [1]	**$ (220)**	$ 4,885	(105%)	**$ (3,564)**	$ 15,383	(123%)
EBITDAS [1]	**$ 98**	$ 4,926	(98%)	**$ (2,839)**	$ 16,499	(117%)
Net earnings (loss)	**$ (2,984)**	$ 428	(797%)	**$ (13,258)**	$ 427	(>1,000%)
Earnings (loss) per share:						
Basic	**$ (0.13)**	$ 0.03		**$ (0.66)**	$ 0.03	
Diluted	**$ (0.13)**	$ 0.03		**$ (0.66)**	$ 0.03	
Funds flow from operations [2]	**$ (526)**	$ 2,001	(126%)	**$ (5,384)**	$ 11,341	(147%)
Discontinued operations						
Net earnings (loss)	**$ (161)**	$ 1,080	(115%)	**$ (14,886)**	$ 865	(>1,000%)
Total operations						
Net earnings (loss)	**$ (3,145)**	$ 1,508	(308%)	**$ (28,144)**	$ 1,292	(>1,000%)
Earnings (loss) per share						
Basic	**$ (0.13)**	$ 0.09		**$ (1.40)**	$ 0.08	
Diluted	**$ (0.13)**	$ 0.09		**$ (1.40)**	$ 0.08	
Total assets	**$ 183,227**	$ 227,810	(20%)	**$ 183,227**	$ 227,810	(20%)
Total long-term debt	**$ 48,051**	$ 65,314	(26%)	**$ 48,051**	$ 65,314	(26%)

1 *EBITDA and EBITDAS do not have standardized meanings prescribed by Canadian generally accepted accounting principles ("GAAP"). Management believes that, in addition to net earnings (loss), EBITDA and EBITDAS are useful supplemental measures. EBITDA and EBITDAS are provided as measures of operating performance without reference to financing decisions, depreciation or income tax impacts, which are not controlled at the operating management level. EBITDAS also excludes stock based compensation expense as it is also not controlled at the operating management level. Investors should be cautioned that EBITDA and EBITDAS should not be construed as alternatives to net earnings (loss) determined in accordance with GAAP as an indicator of the Corporation's performance. The Corporation's method of calculating EBITDA and EBITDAS may differ from that of other corporations and accordingly may not be comparable to measures used by other corporations. See section titled "Reconciliation of EBITDA and EBITDAS to Net Earnings (Loss)".*

2 *Funds flow from operations is defined as cash from operating activities before changes in non-cash working capital, as presented on the Corporation's statement of cash flows. Funds flow from operations is a measure that provides investors with additional information regarding the Corporation's liquidity and its ability to generate funds to finance its operations. Funds flow from operations does not have a standardized meaning prescribed by GAAP and may not be comparable to similar measures provided by other corporations.*

Business Overview

The Corporation provides drilling and completion related oilfield services to oil and natural gas exploration and development companies in the Western Canadian Sedimentary Basin ("WCSB") and in the United States ("US") in the Rocky Mountain, North Dakota and the Appalachian Basin regions. Up to December 31, 2009, the Canadian operations were conducted through the Corporation's wholly-owned subsidiary Canadian Sub-Surface Energy Services Corp. ("CanSub") and the wholly-owned Partnership (Pure Energy Services Partnership or the "Partnership"). The partners in the Partnership were Pure, Ross Wireline Services (2005) Ltd. and Motorworks Drilling Solutions Inc. On December 31, 2009, the Partnership was dissolved and the related assets and liabilities were distributed to the respective partners on a prorata basis. On January 1, 2010, all of the wholly-owned Canadian subsidiaries were amalgamated with the Corporation and the amalgamated entity continued under the name of Pure Energy Services Ltd. The Corporation's US operations are conducted through Pure's wholly-owned subsidiary Pure Energy Services (USA) Inc. References to "Pure" or the "Corporation" in this MD&A refer to the Corporation, its subsidiaries, and for 2009 and prior periods, the Partnership.

The Corporation's operations are divided into four separate reporting segments: Canadian Completions Services ("CCS"), US Completions Services ("USCS"), Drilling Services ("Drilling") and Corporate Administration ("Corporate"). The CCS segment conducts operations in the WCSB, through its two operating divisions: well testing and wireline. The USCS segment conducts operations in the Rocky Mountain, North Dakota and Appalachian Basin regions of the US through its two operating divisions: well testing and wireline. The Drilling segment conducts its operations in the WCSB through its two operating divisions: drilling rigs (which are operated through "Quintera Drilling") and rental and servicing of drilling equipment (which are operated through "Motorworks"). The Corporate segment primarily includes corporate administration costs and other costs not specifically allocated to the operating segments.

Q4 and Year ended 2009 Highlights from Continuing Operations

During 2009, Pure's management focused on the following business objectives:

- Building critical mass in Canada and the US in the Corporation's traditional core competencies of well testing and wireline;
- Increasing the Corporation's exposure to the emerging resource plays in western Canada and the US where technological advances in multi stage fracturing and horizontal drilling have significantly enhanced the recovery of oil and natural gas;
- Strengthening the Corporation's financial position by streamlining operations, decreasing operating costs and reducing debt; and
- Moving equipment between Canada and the US to areas of higher demand.

To meet these objectives, Pure completed the following transactions/activities during 2009:

- At the end of Q2 2009, Pure acquired CanSub and merged the Canadian Completions operations of both companies. As a result, the combined well testing and wireline equipment fleet is now one of the largest operating in the WCSB. In addition, the combined businesses have increased Pure's operational infrastructure, enhanced the Corporation's safety programs and expanded its

geographical reach, which has enabled Pure to attract and retain more of the large customers operating in the WCSB. Subsequent to the acquisition, significant reductions in combined operating and administration costs have been realized. The general and administrative expenses have decreased from a combined annual rate of $28.5 million in 2008 to an approximate current annualized rate of $20.0 million.

- During Q3 2009, Pure sold its well fracturing operations for net proceeds of $38.8 million, substantially all of which was used to pay down debt and to fund the acquisition of other operating assets. This sale has enabled Pure to focus more of its efforts on the core well testing and wireline businesses.
- During Q4 2009, as a result of identifying redundant assets from the Pure/CanSub businesses, Pure sold a redundant operating facility and nine older wireline units for aggregate proceeds of $4.0 million. These proceeds were used to further pay down debt and to fund the acquisition of other operating assets. An additional three operating facilities have been identified as redundant and are now for sale with aggregate list prices of approximately $10.0 million.
- During Q4 2009, the Corporation continued to acquire and retrofit additional well testing equipment in both Canada and the US to meet the increased work from the emerging resource plays in these regions. As a result of advances in fracturing and horizontal drilling technologies, certain oil, shale gas and deeper tight gas plays in both Canada and the US have recently seen significant increases in drilling activity. The Corporation now has a significant amount of equipment capable of operating in these plays, including well testing and wireline equipment capable of operating in high pressure environments. In Canada, 29 of the 79 well testing units and 25 of the 71 wireline units can handle high pressure work. In the US, 22 of the 39 well testing units and 5 of the 8 wireline units are capable of performing high pressure work.

These positive events during 2009 enabled Pure to respond to the challenging industry environment and better positioned the Corporation going into 2010.

During Q4 2009, drilling and completion activity levels continued to be depressed in both the WCSB and the US due primarily to continuing low natural gas prices and reduced access to debt and equity capital for Pure's customers. This resulted in low equipment utilization rates and continued lower pricing for services which lead to reduced revenues, margins and earnings in comparison to Q4 2008.

As a result of the lower activity, consolidated revenue from continuing operations declined from $40.4 million recognized in Q4 2008 to $37.1 million recognized in Q4 2009. Although the addition of the CanSub operations allowed revenue in the CCS segment to increase in Q4 2009 versus Q4 2008, this increase was not sufficient enough to offset the quarter over quarter revenue declines experienced in the USCS and Drilling segments.

As a result of the erosion in pricing and lower equipment utilization, consolidated gross margin percentages declined from 25% (or $10.0 million) in Q4 2008 to 13% (or $5.0 million) in Q4 2009. Consistent with the decline in gross margin, consolidated EBITDA decreased quarter over quarter from $4.9 million in Q4 2008 to negative $0.2 million in Q4 2009. Pure continues to evaluate the operating cost structures and pricing for services of all segments with an emphasis on improving gross margins.

The lower operating results lead to a net loss from continuing operations during Q4 2009 of $3.0 million (0.13 per share), versus the $0.4 million in net earnings (0.03 per share) generated in Q4 2008.

The lower activity experienced in Q4 2009 is consistent with the reduced activity experienced in the first three quarters of the year. As a result, consolidated revenue from continuing operations declined to $114.7 million for the 2009 year compared to the $142.5 million in consolidated revenue recognized for calendar 2008. While the addition of the CanSub operations has positively impacted revenues generated by the Corporation's CCS segment during the second half of 2009, this additional revenue has not been sufficient to offset the revenue declines experienced by the Corporation's other segments through 2009.

The reduced equipment utilization rates and reduced pricing for services for the 2009 year resulted in a $20.5 million decline in gross margin to $15.2 million (or 13% of revenue) for the 2009 year compared to $35.7 million (25% of revenue) for calendar 2008. The decline in gross margin was reflected in the lower EBITDA of negative $3.6 million for calendar 2009 versus a positive EBITDA of $15.4 million in 2008. A $1.1 million reduction in general and administrative expenses in 2009 has helped to mitigate the impact of lower operating results on EBITDA.

The lower operating results in the 2009 year resulted in a net loss from continuing operations of $13.3 million ($0.66 per share) versus the net earnings of $0.4 million ($0.03 per share) realized in calendar 2008.

As a result of the disposition of the Corporation's well fracturing operations during Q3 2009, the financial results for this division have been separately disclosed as discontinued operations and excluded from the financial results presented from continuing operations.

Discontinued Operations – Disposition of Well Fracturing Division

On August 14, 2009 the Corporation sold its well fracturing assets and associated inventory to a competitor in the fracturing business for net proceeds of $38.8 million. Approximately $1.3 million of the proceeds were deferred and are guaranteed to be received by August 13, 2010 in reimbursement of prepaid inventories used by the purchaser from August 14, 2009 to August 13, 2010. At December 31, 2009, $0.9 million of these deferred proceeds had been received. In addition, depending on the level of inventory purchases by the acquiring company from Pure's former fracturing sand supplier, the Corporation could receive up to an additional US $2.5 million in volume rebates from the purchaser. Given the uncertainty of the amounts to be received for these rebates, no amount has been accrued in the Corporation's financial results to date.

The net loss generated during Q4 2009 of $0.2 million from the well fracturing division reflected final costs related to the wrap-up of business operations. For the 2009 year, the well fracturing operations generated a net loss of $14.9 million compared to net earnings of $0.9 million for calendar 2008. The current year net loss reflects a $16.9 million impairment charge and a $0.8 million loss on sale related to the difference between the carrying value of the fracturing assets and the sales price.

A significant amount of capital resources and management time have been invested over the last four years developing Pure's well fracturing operations. However, due to the significant capital and staff resources required to further grow and support this business and the limited return achieved on this investment, management determined that a more defined focus on the Corporation's CCS and USCS segments would provide Pure and its shareholders with a greater long-term return on capital invested.

Results of Continuing Operations — Q4 and Year End 2009

Canadian Completion Services (1)

	Three months ended December 31			Year ended December 31		
($ thousands)	**2009**	2008	Change	**2009**	2008	Change
Revenue	**$ 20,466**	$ 15,896	29%	**$ 56,708**	$ 55,306	3%
Operating expenses	**18,504**	12,262	51%	**53,097**	44,036	21%
Gross margin	**$ 1,962**	$ 3,634	(46%)	**$ 3,611**	$ 11,270	(68%)
Gross margin %	**10%**	23%	(56%)	**6%**	20%	(70%)
Average units available during the period:						
Well testing	**79.0**	35.0	126%	**63.3**	35.6	78%
Wireline (2)	**73.3**	29.0	153%	**56.4**	30.4	85%
Total	**152.3**	64.0	138%	**119.7**	66.0	81%
Number of jobs completed:						
Well testing	**1,962**	1,685	16%	**5,396**	5,957	(9%)
Wireline (2)	**1,853**	1,055	76%	**4,745**	4,195	13%
Total	**3,815**	2,740	39%	**10,141**	10,152	(0%)

1) *The CCS segment includes the financial results of CanSub since the June 22, 2009 acquisition date.*
2) *Wireline units consist of electric line and slick line units. Wireline jobs are from these units only and exclude jobs from the other service lines in the wireline division.*

As a result of low oil and natural gas prices and a reduced access to capital for oil and natural gas exploration and development companies, drilling and completion levels were extremely low in the WSCB in the 2009 year. Activity levels in the WCSB were further negatively impacted by the uncertainty surrounding a number of changes in the Alberta provincial royalty rates that came into effect January 1, 2009. As a result of these factors, only 8,270 wells were drilled (rig released) in calendar 2009 as compared to the 16,868 wells drilled in calendar 2008, or a 51% decrease (source: Nickles Energy Group). This significant decline in drilling activity, and resulting increased competition for the reduced amount of work, lead to highly discounted pricing and reduced margin percentages for all quarters in 2009.

In response to the lower activity levels and reduced margins, the CCS segment implemented a number of cost reduction measures commencing in Q1 2009, including staffing reductions, wage rollbacks, reduction in support costs, and the reduction of discretionary spending. The CCS segment chose to temporarily park excess wireline and low pressure well testing units to eliminate all variable costs related to these units. Some of these parked units were sold in Q4 2009 and management will consider bringing the remaining units back into service once industry conditions improve.

As a result of the acquisition of CanSub (which occurred at the end of Q2 2009), revenue for Pure's CCS segment increased from $15.9 million in Q4 2008 to $20.5 million recognized during Q4 2009. While revenue has been positively impacted by the addition of CanSub, continued weak industry activity has curtailed the full impact that the combined Pure and CanSub operations could generate in a more robust industry environment.

As a result of the lower equipment utilization, reduced pricing and initial inefficiencies in operations from the CanSub acquisition, gross margins for the CCS segment declined to $2.0 million (or 10% of revenue) in Q4 2009 from $3.6 million (or 23% of revenue) in Q4 2008. During Q4 2009, integration of the CanSub operations was substantially completed and redundant facilities and equipment were identified. Four redundant operating facilities have been listed for sale in Alberta, with one of those being sold in Q4 2009 for gross proceeds of $2.0 million. The remaining three facilities for sale have aggregate list prices of $10 million. In addition, nine older wireline units were sold during Q4 2009 for proceeds of $2.0 million. Proceeds from the sale of these redundant assets were used to reduce debt and invest in other operating assets.

For the 2009 year, the CCS segment generated $56.7 million in revenue versus $55.3 million generated in calendar 2008. Although industry activity levels were significantly lower in 2009, the revenue increase was attributed to the addition of the CanSub business in the second half of the year.

The lower equipment utilization, reduced pricing and operating inefficiencies from the CanSub acquisition resulted in a significant gross margin erosion as margin percentages decreased from 20% in calendar 2008 to only 6% in 2009. Pure management continues to focus on margins, including reviewing pricing for services and optimization of the combined business operations.

The CCS segment has seen improved equipment utilization rates for January and February 2010, especially for its high pressure well testing and wireline equipment, due in part to the increasing activity levels in the emerging oil and natural gas resource plays in the WCSB.

US Completion Services [1]

	Three months ended December 31			Year ended December 31		
($ thousands)	**2009**	2008	Change	**2009**	2008	Change
Revenue	**$ 9,469**	$ 15,816	(40%)	**$ 38,261**	$ 48,773	(22%)
Operating expenses	**7,692**	11,262	(32%)	**29,443**	34,901	(16%)
Gross margin	**$ 1,777**	$ 4,554	(61%)	**$ 8,818**	$ 13,872	(36%)
Gross margin %	**19%**	29%	(34%)	**23%**	28%	(18%)
Average units available during the period:						
Well testing	**36.7**	34.0	8%	**35.3**	31.4	12%
Wireline	**6.0**	5.0	20%	**6.0**	5.0	20%
Total	**42.7**	39.0	9%	**41.3**	36.4	13%
Number of jobs completed:						
Well testing	**2,082**	1,852	12%	**6,314**	7,866	(20%)
Wireline	**283**	463	(39%)	**1,411**	1,195	18%
Total	**2,365**	2,315	2%	**7,725**	9,061	(15%)

1 *The above financial results exclude the well fracturing division as this division was sold on August 14, 2009. The well fracturing division results are discussed under the "Discontinued Operations" section of this MD&A.*

Low industry activity combined with competitive pricing pressure for Pure's services caused revenue

in the USCS segment to decline from $15.8 million in Q4 2008 to $9.5 million in Q4 2009, or a $6.3 million decrease. The largest activity and revenue decline was experienced in the segment's well testing division which experienced a quarter over quarter revenue decline of $4.8 million. Although the testing job count in Q4 2009 increased by 12% over Q4 2008, this was more than offset by pricing decreases as this division had to significantly discount prices to retain work in their core testing areas of Colorado, Wyoming and North Dakota. During Q4 2009, the testing division received a small revenue contribution from the newly established operating hub in Pennsylvania which is servicing the emerging, unconventional Marcellus shale play. There are now seven testing units available for operation in this area.

The job count for the USCS segment's wireline division was down 39% quarter over quarter, reflecting the generally lower activity levels and delays from a major client who was experimenting with new well completion techniques. As a result of the reduced job count and reduced pricing, wireline division revenue was $1.5 million lower in Q4 2009 versus Q4 2008. In early 2010, the USCS segment established a new wireline station in North Dakota leveraging off of the existing client base of the well testing operations in the area. Two wireline units have been moved into this station, with initial work anticipated to begin prior to the end of Q1 2010.

Blended gross margins realized in Q4 2009 for the USCS segment were 19% compared to 29% in Q4 2008. Due to the high variable cost component in the well testing business, and the adjustments made to these costs to compensate for lower pricing, the USCS well testing division was able to maintain margins in the 24% range compared to the Q4 2008 margins in the 29% range. The largest contributor to the overall margin erosion reported in Q4 2009 was the wireline division which saw its margins decrease from the 32% margins recorded in Q4 2008 to negative 5% in Q4 2009. This reflected the reduction in job count, reduced pricing and the large fixed cost component of this business.

For the 2009 year, the USCS segment generated revenue of $38.3 million, which was $10.5 million lower than the $48.8 million generated in calendar 2008. Revenue from the well testing division was $12.8 million lower on a year over year basis, which was offset by a year over year increase of $2.3 million from the wireline division. The decrease in well testing revenue reflects the 20% decline in job counts combined with reduced pricing. The increased wireline revenue primarily reflects an 18% increase in year over year job counts and was primarily due to the Wyoming region where new project work in the area from a large client positively impacted revenues in 2009.

Blended gross margins realized by the USCS segment in calendar 2009 were 23% compared to the 28% margins realized in 2008. Well testing and wireline division margins were 23% and 22% respectively for calendar 2009 as compared to 30% and 28% for the 2008 year. Margin percentages for both divisions were negatively impacted in 2009 by more competitive pricing, reflecting the slow-down in natural gas and oil related completion activities in the US. Well testing division margins were further impacted by decreased equipment utilization rates. To respond to the more competitive landscape in 2009, the USCS segment reduced wages and operating costs and streamlined operations in order to preserve margins.

Going into 2010, the USCS segment has seen increased drilling rig counts in two of its operating areas (North Dakota and the Marcellus shale play in Pennsylvania) and flat rig counts in Colorado and Wyoming. In response to the increased activity in North Dakota and Pennsylvania, well testing equipment has been transferred in to these areas from both Canada and other parts of the US. The newly established wireline station in North Dakota will add geographic diversity to the wireline division and allows Pure to bundle the wireline and testing services for customers in that area. At the end of February 2010, the USCS segment had 8 wireline units and 39 well testing packages available for operation in the US.

Drilling

	Three months ended December 31			Year ended December 31		
($ thousands)	**2009**	2008	Change	**2009**	2008	Change
Revenue	**$ 7,136**	$ 8,682	(18%)	**$ 19,725**	$ 38,395	(48%)
Operating expenses	**5,968**	6,867	(13%)	**17,043**	27,854	(39%)
Gross margin	**$ 1,168**	$ 1,815	(36%)	**$ 2,682**	$ 10,541	(75%)
Gross margin %	**16%**	21%	(24%)	**14%**	27%	(48%)
Average drilling rigs available	**10.0**	10.0	–%	**10.0**	10.0	–%
Drilling rig utilization % (1)	**47%**	34%	38%	**28%**	43%	(35%)

1 *Utilization % for the Corporation's drilling rigs is defined as the number of spud to rig release days for the period divided by the number of available rig days for the period.*

Pure's Drilling segment revenue in Q4 2009 of $7.1 million was $1.6 million lower than the $8.7 million of revenue recognized in Q4 2008. This decrease reflected a $2.2 million reduction in revenue from the Motorworks division ("Motorworks") offset by a $0.6 million increase in the Quintera Drilling division ("Quintera"). During Q3 2009, Motorworks exited the directional drilling business and is now focused solely on the rental and servicing of mud motors and related drilling equipment. This restructuring has significantly reduced Motorworks' revenue stream but more importantly, has significantly reduced operating costs, and enabled this division to start generating positive funds flow from operations.

Quintera generated $6.5 million of the $7.1 million of Drilling segment revenue in Q4 2009 and generated $5.9 million of the $8.7 million of segment revenue in Q4 2008. Rig utilization for Quintera in the fourth quarter of 47% was significantly better than the 32% utilization achieved by the industry in the WCSB in Q4 2009 (source: CAODC) and better than the 34% utilization realized by Quintera in Q4 2008. The high utilization rate in the current quarter was attributed to improved marketing efforts and several clients who contracted rigs for oil drilling projects in southern and west central Alberta. Although the rigs were busier in Q4 2009, day rates continued to be depressed, with average revenue per operating day of $14,929 recognized in Q4 2009 compared to $19,518 per operating day in Q4 2008.

The drop in gross margin percentage from 21% in Q4 2008 to 16% in Q4 2009, primarily reflects the reduced rig pricing from Quintera. However, overall segment margin percentages were positively impacted in the current quarter from the elimination of the directional drilling business which had been running at break-even margins in Q4 2008.

The Drilling segment recorded revenue of $19.7 million for the 2009 year, comprised of $16.2 million from Quintera and $3.5 million from Motorworks. This compared to total revenue for calendar 2008 of $38.4 million, which was comprised of $26.3 million from Quintera and $12.1 million from Motorworks. The lower revenue for Quintera in 2009 reflected lower rig utilization rates combined with lower average day rates. In calendar 2008, rig utilization was 43% and average revenue per day was $17,017 compared to utilization of 28% and average revenue per day of $15,805 in 2009. Industry utilization rates were only 25% in calendar 2009 as compared to 41% in the 2008 year (source: CAODC).

Year over year gross margin percentages fell significantly in the Drilling segment from 27% realized in 2008 to the 14% realized in 2009. Quintera margins decreased from 29% to 18% reflecting the drop in utilization and the reduced day rates. Motorworks' margins decreased from 20% to just below break-even reflecting the low activity levels in 2009 combined with the restructuring costs as this division exited the directional drilling business.

This segment commenced 2010 with a positive outlook as Quintera had strong rig utilization rates of 87% for the two-month period from January 1 through February 28. In addition, the restructured Motorworks had robust equipment rental and servicing revenues for these two months leading to positive fund flows.

Other Expenses

	Three months ended December 31			Year ended December 31		
($ thousands, from continuing operations)	**2009**	2008	Change	**2009**	2008	Change
Selling, general and administrative	**$ 4,865**	$ 5,074	(4%)	**$ 18,054**	$ 19,174	(6%)
Stock-based compensation	**318**	41	676%	**725**	1,116	(35%)
Depreciation and amortization	**3,414**	2,337	46%	**12,143**	10,711	13%
Impairment of intangible assets	**–**	376	(100%)	**247**	376	(34%)
Impairment of property held for sale	**1,012**	–	–	**1,012**	–	–
Interest on long-term debt	**567**	451	26%	**2,134**	2,304	(7%)
Other interest	**6**	118	(95%)	**21**	326	(94%)
Gain on sale of property and equipment	**(981)**	(100)	881%	**(1,455)**	(113)	>1,000%
Foreign exchange (gain) loss	**(712)**	97	834%	**(470)**	158	397%

Selling, General and Administrative Expenses

Selling, General and Administrative ("SG&A") expenses were consistent on a quarter over quarter and year over year basis. The reduced SG&A costs that resulted from staff reductions, wage cuts and other expense reductions during 2009 were offset by additional SG&A costs from the CanSub acquisition. On a combined basis, Pure and CanSub reported SG&A of $28.5 million in calendar 2008. The annualized rate for the combined businesses has now been reduced to approximately $20 million.

Depreciation and Amortization Expense

Depreciation and amortization expense increased both on a quarter over a quarter basis (from \$2.3 million during Q4 2008 to \$3.4 million in Q4 2009) and a year over year basis (from \$10.7 million in calendar 2008 to \$12.1 million in calendar 2009). The increase in both periods primarily reflects the addition of \$18.9 million of property and equipment from the CanSub acquisition that closed in Q2 2009.

Impairment of Property Held for Sale

As discussed in the CCS segment section, Pure had three redundant operating facilities for sale in Canada at December 31, 2009. These facilities have been reclassified from "Property and Equipment" to "Property Held for Sale" on the December 31, 2009 balance sheet. As part of the year end asset impairment tests performed by management, it was determined that the estimated fair value of one of these facilities was below the related carrying value. As such, a \$1.0 million impairment charge was recorded in Q4 2009.

Total Interest

Total interest of \$0.6 million in Q4 2009 was consistent with total interest recorded in Q4 2008. Although the average drawn debt balances were higher in the prior period, this was offset by a lower interest rate charged in the prior period. Although the prime interest rates were higher in the prior period, the rate spread charged by the Corporation's Canadian lender was prime plus 0.5%. In May 2009, the rate spread was increased by the lender to prime plus 2.5% for the majority of Pure's debt.

Total interest expense for the 2009 year of \$2.2 million was lower than the \$2.6 million recognized in calendar 2008. This reflected lower charged interest rates in 2009 (i.e. prime interest rate plus bank spread), offset by higher average debt balances in 2009.

Gain on Sale of Property and Equipment

The gain on sale of property and equipment of \$1.0 million recognized during Q4 2009, related to the disposal of nine wireline units and one redundant operating facility. The calendar 2009 gain on sale amount of \$1.5 million reflected additional sales of redundant equipment during previous quarters.

Foreign Exchange (Gain) Loss

The Q4 2009 and calendar 2009 foreign exchange gains of \$0.7 million and \$0.5 million respectively, reflect the release into income of a portion of the cumulative gains from the foreign curency translation of the net investment of the Corporation's US operations. The release into income was triggered by reductions in the net investment that occurred during 2009.

Income Tax Expense

Due to the net loss from continuing operations incurred in calendar 2009, Pure recorded an income tax recovery of \$3.9 million during the year.

As at December 31, 2009 the Corporation had non-capital losses and deferred expense pools that can be used to reduce future taxable income in Canada and the US of approximately $72 million and $33 million, respectively. Based on management's estimate, these losses and deferred expense pools are more likely than not to be realized in future periods and as such, a future income tax asset has been recorded on the balance sheet.

Results of Discontinued Operations

Well Fracturing Services

	Three months ended December 31			Year ended December 31		
($ thousands)	**2009**	2008	Change	**2009**	2008	Change
Revenue	**$ –**	$ 20,139	(100%)	**$ 21,233**	$ 50,032	(58%)
Operating expenses	**255**	16,105	(98%)	**21,478**	42,819	(50%)
Gross margin	**$ (255)**	$ 4,034	(106%)	**$ (245)**	$ 7,213	(103%)
Gross margin %	**–**	20%	(100%)	**(1%)**	14%	(107%)
Average units available during the period:						
Fracturing spreads	**–**	3.0	(100%)	**2.1**	3.0	(30%)
Number of jobs completed:						
Fracturing	**–**	417	(100%)	**499**	1,335	(63%)

On August 14, 2009 the Corporation sold its well fracturing assets. As a result, the Q4 2009 financial results reflect nil revenue for the division but operating expenses of $0.3 million related to final costs for leased facilities, vehicles and other items formerly used in the fracturing operations.

For the 2009 year, the well fracturing division generated $21.2 million in revenue (for the period from January 1, 2009 to the sale date of August 14, 2009) versus the $50.0 million in revenue generated in calendar 2008. While the well fracturing division generated stronger financial results in the first quarter of 2009 versus the first quarter of 2008, a sharp decline in industry activity and services pricing resulted in lower financial results for the division in the second and third quarters of 2009 versus the comparable periods in 2008. The lower activity and services pricing, combined with the continued fixed costs of the division subsequent to the sale resulted in gross margin declining to break-even for the 2009 year versus a positive gross margin of $7.2 million in 2008.

In addition to the operating results discussed above, the Corporation recognized a $16.9 million impairment charge and an $0.8 million loss on sale related to the difference between the carrying value of the fracturing assets and the sales price.

Summary of Quarterly Results [1]

	2009				2008			
($ thousands, except per share amounts)	**Q4**	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2	Q1
Continuing operations								
Revenue	**37,072**	**30,533**	**13,153**	**33,936**	40,394	38,726	20,620	42,734
Gross margin	**4,963**	**3,444**	**(590)**	**7,398**	10,000	9,836	2,558	13,279
Gross margin %	**13%**	**11%**	**(4%)**	**22%**	25%	25%	12%	31%
General and administrative expenses	**4,865**	**5,040**	**4,167**	**3,982**	5,074	5,327	4,361	4,412
EBITDA	**(220)**	**(1,831)**	**(4,837)**	**3,324**	4,885	4,296	(1,985)	8,187
EBITDAS	**98**	**(1,596)**	**(4,757)**	**3,416**	4,926	4,509	(1,803)	8,867
Net earnings (loss)	**(2,984)**	**(3,999)**	**(6,157)**	**(118)**	428	719	(3,804)	3,084
Earnings (loss) per share:								
Basic	**(0.13)**	**(0.16)**	**(0.37)**	**(0.01)**	0.03	0.05	(0.24)	0.19
Diluted	**(0.13)**	**(0.16)**	**(0.37)**	**(0.01)**	0.03	0.05	(0.24)	0.19
Funds flow from operations	**(526)**	**(1,840)**	**(5,534)**	**2,516**	2,001	4,627	(2,769)	7,482
Discontinued operations								
Net earnings (loss)	**(161)**	**(1,305)**	**(13,497)**	**77**	1,080	755	56	(1,026)
Total operations								
Earnings (loss) per share:								
Basic	**(0.13)**	**(0.22)**	**(1.18)**	**(0.00)**	0.09	0.09	(0.24)	0.13
Diluted	**(0.13)**	**(0.22)**	**(1.18)**	**(0.00)**	0.09	0.09	(0.24)	0.13

1 *Prior periods have been restated to reflect the change in accounting policy adopted by the Corporation related to the accounting for intangible assets. Prior periods have also been restated to reflect the reclassification of balances related to the discontinued well fracturing operations.*

Two distinct operating environments existed for Pure's Canadian and US operations during 2008 and 2009. The Corporation's Canadian operations were focused on navigating through the challenges of lower industry activity levels, whereas the US operations were focused on expanding their operations to capitalize on robust US industry activity during late 2007 and through the first three quarters of 2008. This robust US activity significantly declined subsequent to Q3 2008 in response to lower commodity prices and reduced access to debt and equity capital for the Corporation's customers.

During 2006 and 2007, the Corporation undertook a significant expansion of its US operations through the investment in the construction of three well fracturing spreads. Construction of the first two fracturing spreads was completed by the end of Q1 2007, however, delays in the start-up of the Corporation's fracturing sand supplier operations curtailed fracturing operations into early 2008. While the Corporation's fracturing operations were curtailed by the sand supply delays, the Corporation's US well testing and wireline operations enjoyed robust activity.

The Corporation's US operations continued to develop in early 2008, with the awarding of a significant well fracturing contract and the sale of the sand supply mine to a new owner. The transition of the mine ownership was a significant event for the Corporation as it marked the beginning of the development of a secure sand supply which the Corporation required for its well fracturing operations.

The Corporation also enjoyed strong activity for its drilling rig fleet during Q1 2008. This improved performance was due to successful marketing efforts to migrate to more active customers during the quarter. Activity in the US continued to be strong resulting in the additional transfer of two well testing units from Canada to the US, which was later followed by five more units transferred in Q2 2008 and one more unit in Q4 2008. An additional two wireline units were also transferred into the US during the second half of 2008.

Improved sand supply allowed activity for the well fracturing operations to begin to significantly increase during Q2 2008, resulting in the first quarter of positive income contribution from the division. The contribution from the well fracturing operations continued to increase in Q3 and Q4 2008 resulting in the well fracturing division generating $34.6 million in revenue during the second half of 2008 versus only $5.0 million in the comparative period in 2007. This significant increase in well fracturing revenue combined with the continued strength of the US well testing and wireline operations offset the continued lower activity levels experienced in the Corporation's CCS segment. However, on a positive note for the Corporation's operations in Canada, was the improvement in utilization of the Corporation's drilling rigs. This improvement was a direct result of the improved marketing efforts initiated in late 2007 and early 2008.

The impact of a global recession combined with significantly reduced oil and natural gas prices caused a sharp decline in industry activity in the US and further declines from already low activity levels in Canada during Q1 2009. The number of drilling rigs operating in the US during the quarter was approximately 50% lower than the peak number of rigs operating in the US during 2008. Drilling activity in Canada during the quarter was also the lowest seen during a first quarter since 1999 (source: Daily Oil Bulletin). These lower industry activity levels resulted in lower operating results for the Corporation during the quarter.

Activity levels continued to fall in Q2 2009 for all of the Corporation's operating segments. The impact of lower industry activity in both Canada and the US was further exacerbated by the seasonal activity decline in the Corporation's Canadian and North Dakota operations associated with spring break-up conditions that prevented the movement of equipment for the majority of the quarter. In response to the lower activity levels and competitive pricing pressure for the Corporation's services experienced in Q1 and Q2 of 2009, the Corporation undertook a number of cost cutting measures intended to reduce operating costs. These cost cutting measures helped to mitigate some of the impact of the margin compression caused by the lower activity levels and reduced pricing for services.

On June 22, 2009 the Corporation acquired CanSub and merged its Canadian completions operations with CanSub, creating one of the largest wireline and well testing service providers in the WCSB. The Q2 2009 financial results include eight days of revenue and operating results from CanSub.

On August 14, 2009, the Corporation sold its well fracturing assets for net proceeds of $38.8 million. As a result of this sale, a $16.9 million impairment was recognized in Q2 2009 to reflect the proceeds received on the sale being lower than the carrying value of the related assets. A further $0.8 million loss was recorded in Q3 2009 due to post closing adjustments and changes in foreign exchange rates. The financial results for the well fracturing operations for the eight quarters of calendar 2008 and 2009 have been disclosed as discontinued operations.

Activity levels in Canada during Q4 2009 increased over Q3 2009, in part due to the typical increase for winter drilling and completion activities but also due to higher commodity prices for oil and natural gas. In addition, many of the Corporation's customers had benefited from infusion of capital from equity offerings completed during Q3 and Q4 2009, as capital markets became more receptive to oil and natural gas exploration and development companies. Pure's Quintera Drilling division posted improved utilization rates of 47% in Q4 2009 compared to the 34% posted in Q4 2008. Activity levels in the CCS segment's operations also realized improved equipment utilization rates over Q3 2009. However, margins for both the Drilling and CCS segments remained constrained due to the continuing competitive pricing for these services. In the US, equipment utilization rates also improved in Q4 2009 over the Q3 2009 levels, but were still well behind the previous years' Q4 2008 levels. In addition, similar to Canada, competitive pricing also constrained margins in the US in Q4 2009.

Liquidity and Capital Resources

Pure exited 2009 with $2.0 million in cash and $48.1 million outstanding on the Corporation's debt facilities compared to $4.2 million in cash and $65.3 million outstanding on these facilities as at December 31, 2008. Net Debt (ie long-term debt less working capital), decreased to $32.3 million at December 31, 2009 from $35.1 million as at December 31, 2008 and $63.9 million as at June 30, 2009 (the peak level in 2009 following the acquisition of CanSub).

The decrease in Net Debt of $2.8 million during 2009 (ie $35.1 million at December 31, 2008 compared to $32.3 million at December 31, 2009) primarily reflected the net proceeds of $38.8 million from the sale of the well fracturing assets offset by: a) the addition of $18.8 million in Net Debt added through the CanSub acquisition plus the incurrence of $3.7 million in related transaction costs; b) negative funds flow from operations of $5.9 million (including discontinued operations) recorded by Pure for calendar 2009; and c) property and equipment acquisitions (net of proceeds from disposals) for the 2009 year of $3.2 million (including discontinued operations).

As discussed in the results of operations for the CCS segment, the acquisition of CanSub has allowed the Corporation to begin to rationalize its investment in real estate and redundant operating assets. As a result, in Q4 2009, Pure sold one redundant operating facility and 9 older wireline units for net proceeds of $4.0 million. In addition, three additional redundant operating facilities are listed for sale with aggregate list prices of approximately $10.0 million. The proceeds from these sales will be used to further reduce the Corporation's outstanding debt or reinvest into other growth areas of the Corporation's business.

The Corporation's board of directors has approved a capital expenditure budget for 2009 of approximately $6.0 million. These expenditures, which are spread amongst the Corporation's operating segments, are primarily for maintenance of the Corporation's existing operating capacity and equipment required to meet customer demand.

In addition to the capital expenditures discussed above, the Corporation has the following operating lease and debt commitments over the next five years:

Contractual Obligations *($ thousands)*	Total	2010	2011	2012	2013	After 2013
			Payments Due by Period			
Long-term debt obligations [1]	$ 48,051	$ 103	$ 6,034	$ 41,914	$ –	$ –
Operating leases	38,072	8,297	6,355	5,408	5,154	12,858
Total contractual obligations	$ 86,123	$ 8,400	$ 12,389	$ 47,322	$ 5,154	$ 12,858

1 Long-term debt obligations represent balances outstanding under the extendible revolving loan facility and the capital lease liability.

In conjunction with the CanSub acquisition, the Corporation renewed and expanded its existing credit facilities to provide a secured $18 million demand revolving operating credit facility ("Operating Facility") and a secured $80 million one year extendible revolving credit facility ("Revolving Facility"). The Revolving Facility was subject to renewal on March 31, 2010, and if not extended would have been termed out with 25% of the outstanding balance being repaid over one year and the remaining balance due upon expiry of the one year amortization period. Borrowings under the Operating Facility bear interest at either: (i) the lender's prime rate plus 1.50%, or (ii) bankers acceptance rates plus 2.75%. Borrowings under the Revolving Facility bear interest at either: (i) the lender's prime rate plus 2.50%, or (ii) bankers acceptance rates plus 4.00%. The other terms of these facilities, including financial covenants and borrowing limits, were similar to those contained in Pure's previous credit facilities.

At the request of the Corporation, the Revolving Facility was reduced to $60,000 in November 2009. Effective March 9, 2010, as part of the annual review of the credit facilities, the senior lender further reduced the Revolving Facility to $50,000 and reduced the Operating Facility to $15,000 (for an aggregate limit of $65,000). Effective September 30, 2010 the aggregate limit will be reduced to $60,000 (Revolving Facility of $45,000 and Operating Facility of $15,000) and then reduced to $50,000 (Revolving Facility of $35,000 and Operating Facility of $15,000) at March 31, 2011. The new maturity date of the Revolving Facility is June 30, 2011. If the lender does not extend the facility at that date, then the drawn amounts under the facility will convert to a 12 month term loan with 25% of the outstanding balance repayable in equal quarterly installments over the one year period and the remaining balance due on June 30, 2012.

Borrowings under the Corporation's Revolving Facility are limited to 50% of the net book value of property and equipment and property held for sale, excluding any assets subject to other encumbrances, up to the maximum limit of the Revolving Facility. Borrowings under the Corporation's Operating Facility are limited to 75% of marginable accounts receivable less certain priority claims up to the limit of the Operating Facility. Based on the calculated margin for these facilities at December 31, 2009, the Corporation had aggregate available (but undrawn) facilities of $26,895. Under the aggregate limit of the revised facilities that became effective on March 9, 2010, the total available, but undrawn amount at December 31, 2009 would have been $16,895. Drawn amounts under the credit facilities are subject to compliance with the related debt covenants.

In November 2009, the Corporation's lender amended one of the debt covenants which related to trailing 12-month EBITDAS. The covenant was amended so that the calendar 2010 quarterly covenant calculations will be based on the 2010 year to date EBITDAS figures with no inclusion of trailing 2009 EBITDAS amounts. Due to the challenging industry conditions during 2009, Pure reported negative EBITDAS for the year and was therefore in breach of this covenant at December 31, 2009. However, Pure's banker has provided forbearance for this covenant breach. The Corporation was in compliance with all other covenants at December 31, 2009. The previous loan covenants continue to apply to the Corporation's credit facilities subsequent to the March 9, 2010 renewal by the senior lender with an additional covenant now in place related to minimum required EBITDAS amounts.

Pure's financial position has improved significantly with the disposition of the Corporation's well fracturing assets and disposition of the redundant operating facility and equipment. The Corporation believes that its available credit facilities and funds flow from operations will provide sufficient capital resources to fund near term capital expenditures and ongoing operations. Pure's management continues to evaluate its capital and operational spending programs in response to industry conditions.

Share capital

As at March 16, 2010, the Corporation had 23,740,647 common shares issued and outstanding and 1,482,500 stock options issued and outstanding, of which 4,000 were vested.

Financial Instruments

The Corporation's financial instruments at December 31, 2009 included cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and long-term debt. The fair value of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximated their carrying values due to their short term to maturity. Long-term debt bears interest at a floating market rate and accordingly the fair market value approximates the carrying value.

The Corporation did not enter into any derivative financial instrument contracts in 2009, and had no derivative financial instrument contracts outstanding as of December 31, 2009.

Changes in Accounting Policies

On January 1, 2009, the Corporation adopted new accounting standards dealing with Intangible Assets issued by the Canadian Institute of Chartered Accountants ("CICA"). These new standards, which apply to fiscal years beginning on or after October 1, 2008 have been adopted retrospectively resulting in a restatement of prior period financial statements. The revisions to the various accounting standards align the definition of Intangible Assets under Canadian GAAP with that under International Financial Reporting Standards ("IFRS"). Section 1000, "Financial Statement Concepts" was revised to remove material that permitted the recognition of assets that might not otherwise meet the definition of an asset and to add guidance from the International Accounting Standard's Board ("IASB") "Framework for the Preparation and Presentation of Financial Statements" that will help distinguish assets from expenses. Section 3064 "Goodwill and Intangible Assets", which replaces Section 3052 "Goodwill and Other Intangible Assets", gives guidance on the recognition of intangible assets as well as the recognition and measurement of internally developed intangible assets.

As a result of the adoption of the new Section 3064, the intangible assets related to pre-operating expenditures for start-up activities in the US have been reversed and balances for prior periods restated to reflect the change. The resulting impact on the comparative December 31, 2008 balance sheet related to the change in accounting for intangible assets is as follows:

($ thousands)	Previously Reported	Restated
Retained earnings, December 31, 2007	$ 25,310	$ 24,322
Retained earnings, December 31, 2008	26,322	25,614
Intangible assets	1,671	266
Future income taxes	4,886	4,366
Accumulated other comprehensive income	4,349	4,172

For the comparative statement of earnings (loss), amortization for the year ended December 31, 2008 decreased by $444,000 while future income tax expense increased by $164,000 as a result of this change in accounting for intangible assets.

In January 2009, the CICA issued additional new or revised Canadian accounting standards for business combinations, consolidated financial statements and accounting for non-controlling interests and transactions with non-controlling interest holders. In June 2009, the CICA issued revised Canadian accounting standards for financial instruments and capital disclosures. The purpose of these standards and revisions are to further align Canadian GAAP with International Financial Reporting Standards ("IFRS"). These standards are to be applied prospectively to transactions on or after January 1, 2011. The Corporation does not anticipate that these standards will have a material impact on the Corporation's financial statements unless the Corporation completes a business combination or creates a non-controlling interest in a subsidiary.

Transition to IFRS

In February 2008, the CICA Accounting Standards Board ("AcSB") confirmed that the changeover to IFRS from Canadian GAAP will be required for publicly accountable enterprises effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition from Canadian GAAP to IFRS is a significant undertaking, and may materially affect the Corporation's financial reports due to changes in accounting policies, disclosures, processes and systems.

During 2009, the Corporation made significant progress in its IFRS conversion project, including the following:

- Finalizing its review of the areas where differences between Canadian GAAP and IFRS are likely to have a material impact on the Corporation's financial reporting;
- Hiring a dedicated full time IFRS resource;
- Drafting IFRS policies including "in principle" approval from the audit committee;
- Selecting IFRS 1 exemptions including "in principle" approval from the audit committee;

- Designing and testing accounting systems to be used for parallel Canadian GAAP/IFRS reporting during 2010; and
- Training accounting and financial reporting personnel on the changes expected under IFRS.

Changes in accounting policies

There are a number of areas where differences between Canadian GAAP and IFRS exist, which may result in changes to the Corporation's accounting policies and financial reporting as a result of the transition to IFRS. Pure has focused on the following key areas where the transition could have a material impact on the Corporation's financial statements. Management is still determining the full effects of the transition, and at this stage, has not quantified the impact of the changes on the financial statements. The following comments should not be regarded as a complete list of changes that will result from the transition to IFRS, and are intended only to highlight those areas that Pure believes to be the most significant. Management has obtained "in principle" approval from the audit committee with respect to these changes and is working towards completion of the Corporation's opening IFRS balance sheet by mid 2010.

Property, Plant & Equipment ("PP&E")

IFRS requires that each component of an item of PP&E that is significant in relation to the total cost of the item be depreciated separately. This change will affect the carrying amount of PP&E on the opening IFRS balance sheet at January 1, 2010 as well as depreciation expense for 2010 and later years. Pure has now componentized its PP&E and will calculate the related accumulated depreciation for these assets on a retrospective basis (see "IFRS 1 Elections" section below).

Leases

IFRS uses a principles based approach to determining whether a lease is an operating lease or a finance lease. Essentially, the classification of a lease under IFRS depends on the substance of the transaction. In contrast, Canadian GAAP prescribes certain quantitative measures for determining the classification of leases. Currently, under Canadian GAAP the Corporation classifies all of its material leases as operating leases. Under IFRS, the Corporation may be required to classify some of these leases as finance leases. As a result, an asset and corresponding liability would be recognized for those leases, and opening retained earnings would be adjusted for lease payments which would have been previously expensed, net of depreciation of capitalized asset amounts.

Impairment

In order to test assets for impairment, IFRS uses the concept of cash generating units ("CGU's"). A CGU is the lowest level of assets for which identifiable cash flows are largely independent of the cash flows of other assets. Management expects impairment testing for the Corporation under IFRS to be performed at the same level as under Canadian GAAP. In testing for impairment, IFRS requires discounted cash flows to be used, whereas Canadian GAAP uses undiscounted cash flows in a preliminary step. Impairment losses are required to be reversed under IFRS in cases where circumstances have changed, whereas this is prohibited under Canadian GAAP. At this stage we have not finalized the Corporation's impairment testing under IFRS, and therefore we cannot determine the effect on the Corporation's financial reports. However, as a general rule, impairment is more likely to be recognized under IFRS than under Canadian GAAP.

Income Taxes

The carrying amounts used in determining the Corporation's deferred tax assets and deferred tax liabilities will be directly impacted by other accounting policy changes under IFRS. At this time, the effect of the change is not determinable.

Share based payments

When recognizing share based payment expenses, Canadian GAAP and IFRS differ in the timing, and potentially the amount, of expense recognition. At this time, the effect of the change is not determinable; however, the Corporation does not expect any difference to be material.

IFRS 1 elections

As a general rule, adopting companies are required to apply IFRS retrospectively, with prior period adjustments made against opening retained earnings on the opening balance sheet. However, IFRS 1 provides a number of exemptions from full retrospective application of IFRS. Management has examined IFRS 1 and identified the following exemptions which are expected to be significant to the Corporation:

- **Business Combinations** – Management anticipates electing not to restate any business combinations that have occurred prior to January 1, 2010;
- **Property, Plant & Equipment** – Management anticipates electing not to use fair value as at January 1, 2010 as the deemed cost in respect of the Corporation's PP&E. Instead, the Corporation expects to apply IFRS retrospectively to its PP&E as at January 1, 2010;
- **Share Based Payments** – Management anticipates electing not to restate the Corporation's share based payment expense for share based payments granted and vested prior to January 1, 2010; and
- **Cumulative Translation Reserve ("CTA")** – Management anticipates electing to reset the Corporation's CTA to zero, to avoid the need to retranslate prior year balances of the Corporation's US subsidiary.

Critical Accounting Estimates

The Corporation prepares its consolidated financial statements in accordance with Canadian GAAP. In preparing its financial statements, management is required to make various estimates and judgments in determining the reported amounts of assets and liabilities, revenues and expenses, as well as the disclosure of commitments and contingencies. Management bases its estimates and judgments on its own experience and various other assumptions believed to be reasonable at the time and under the circumstances in existence when the financial statements were prepared. Anticipating future events cannot be done with certainty; therefore, these estimates may change as new events occur, more experience is acquired or the Corporation's operating environment changes. The accounting estimates believed by management to require the most difficult, subjective or complex judgments and which are material to the Corporation's financial reporting results are set out below.

Allowance for Doubtful Accounts Receivable

The Corporation regularly evaluates its accounts receivable on an individual and overall customer basis. This process consists of a review of historical collection experience, current aging status of the customer accounts and other factors. Based on its review of these factors, it establishes or adjusts allowances for specific customers. This process involves a high degree of judgment and estimation. Accordingly, the Corporation's results of operations can be affected by adjustments to the allowance due to actual write-offs that differ from estimated amounts.

Impairment of Long-Lived Assets

Long-lived assets, which include property and equipment, property held for sale and intangible assets, are tested for impairment when there is an indication of impairment. Indications of impairment include items such as an ongoing lack of profitability and significant changes in technology. When an indication of impairment exists, the Corporation tests for impairment by comparing the carrying value of the asset to the sum of the estimated non-discounted future cash flows expected from its use and eventual disposition ("estimated fair value"). If the carrying value is greater than the estimated fair value, an impairment loss is recognized to reduce the assets' carrying value to its estimated fair value. Estimates of undiscounted future net cash flows are calculated using estimated future revenues, operating expenses and other costs. These estimates are subject to risk and uncertainties, and it is possible that changes in estimates could occur which may effect the estimated fair values of the Corporation's long-lived assets.

As a result of the impairment tests performed at December 31, 2009 for property and equipment and property held for sale, a $1.0 million impairment charge was recorded for property held for sale.

Depreciation and Amortization of Property and Equipment, Property Held for Sale and Intangible Assets

Depreciation and amortization is calculated using the straight-line, declining balance or units of production methods over the estimated useful life of the assets. Management bases the estimate of the useful life and salvage value of equipment on expected utilization, technological change and effectiveness of maintenance programs. Although management believes the estimated useful lives and salvage values of the Corporation's equipment are reasonable, they can not be certain that depreciation and amortization expense measures, with precision, the actual reduction in value of assets over time.

Income Taxes

The Corporation follows the asset and liability method of accounting for income taxes. Under this method, the Corporation records future income taxes for the effect of any difference between the accounting and income tax basis of an asset or liability, using the substantively enacted tax rates. Valuation allowances are established to reduce future tax assets when it is more likely than not that some portion or all of the future tax asset will not be realized. Estimates of future taxable income and the continuation of ongoing prudent tax planning arrangements have been considered in assessing the utilization of available tax losses. Changes in circumstances and assumptions may require changes to the valuation allowances associated with the Corporation's future tax assets.

Risks and uncertainties

While the demand for Pure's products and services is largely a function of the supply, demand and price of oil and natural gas, the following risk factors can affect the business either positively or negatively:

Volatility of Industry Conditions

The demand, pricing and terms for oilfield services in the Corporation's existing or anticipated service areas largely depends upon the level of exploration and development activity for both crude oil and natural gas in the WCSB, and the US Rocky Mountain, North Dakota and Appalachian Basin regions. Oil and natural gas industry conditions are influenced by numerous factors over which the Corporation has no control, including: oil and natural gas prices; expectations about future oil and natural gas prices; levels of consumer demand; the cost of exploring for, producing and delivering oil and natural gas; the expected rates of declining current production; the discovery rates of new oil and natural gas reserves; available pipeline and other oil and natural gas transportation capacity; weather conditions; political, regulatory and economic conditions; and the ability of oil and natural gas companies to raise equity capital or debt financing.

The level of activity in the oil and natural gas exploration and production industry in the WCSB, and the US Rocky Mountain, North Dakota and Appalachian Basin regions is volatile. Any prolonged substantial reduction in oil and natural gas prices would likely affect oil and natural gas production levels and therefore affect the demand for drilling and well services by oil and natural gas exploration and production entities. A material decline in crude oil or natural gas prices or industry activity could have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows. Lower oil and natural gas prices could also cause the Corporation's customers to seek to terminate, renegotiate or fail to honour the Corporation's services contracts; affect the fair market value of the Corporation's equipment fleet which in turn could trigger a writedown for accounting purposes; affect the Corporation's ability to retain skilled oilfield services personnel; and affect the Corporation's ability to obtain access to capital to finance and grow the Corporation's business.

Access to Additional Financing

The global economic slowdown and uncertainty experienced since 2008 have had an adverse impact on global financial markets. While a tentative recovery from this economic slowdown appears to currently be taking place, access to traditional equity and debt markets remains tight resulting in continued reduced availability of external financial resources. These conditions have impacted, and continue to impact, the expenditure plans of both the Corporation and its customers. As a result, the Corporation's ability to fund growth initiatives such as capital expenditures and acquisitions or other business combination transactions has been negatively affected. Any reduction in the Corporation's existing debt facilities by the Corporation's lenders may negatively impact the Corporation's ability to support ongoing operations.

There can be no assurances that additional debt or equity financing, if required, will be available to the Corporation when needed or on terms acceptable to the Corporation. The Corporation's ability to raise financing to support ongoing operations or to fund capital expenditures or acquisitions could limit the Corporation's growth and may have a material adverse effect upon the Corporation.

Credit Risk and Economic Dependence

All of the Corporation's accounts receivable are with customers in the oil and natural gas industry in Canada and the United States. In light of the current industry slowdown there is an increased risk of non-payment from the Corporation's customers. In order to mitigate this risk, Pure's customers are subject to an internal credit review along with ongoing monitoring of the amount of the age of receivable balances outstanding. During the year ended December 31, 2009, the Corporation recorded $314,000 in bad debt write-offs from accounts receivable amounts deemed to be uncollectible.

The Corporation has significant exposure to one major customer in both its Canadian and US operations. The customer is a large public Canadian oil and natural gas exploration company. For the year ended December 31, 2009, 22% or $30.7 million (2008 – 36% or $68.9 million) of the Corporation's total revenue was derived from this customer. As at December 31, 2009, $2.0 million (2008 – $5.5 million) of the Corporation's accounts receivable balance included amounts outstanding from this customer.

Government Regulation

The oil and natural gas industry in Canada and the United States is subject to federal, provincial, state and municipal legislation and regulation governing such matters as land tenure, commodity prices, production royalties, production rates, environmental protection controls, the exportation of crude oil, natural gas and other products, as well as other matters. The industry is also subject to regulation by governments in such matters, including laws and regulations relating to health and safety, the conduct of operations, the protection of the environment and the manufacture, management, transportation, storage and disposal of certain materials used in the Corporation's operations.

Government regulations may change from time to time in response to economic or political conditions. The exercise of discretion by governmental authorities under existing regulations, the implementation of new regulations or the modification of existing regulations affecting the crude oil and natural gas industry could reduce demand for the Corporation's services or increase its costs, either of which could have a material adverse impact on the Corporation.

On January 1, 2009, the Alberta government's Alberta Royalty Framework ("ARF") took effect. Under the ARF, the royalty rates on conventional and non-conventional oil and natural gas production in Alberta are determined on a sliding scale, based on commodity prices and production levels (resulting in generally higher royalty rates compared to the prior regime). In response to declining industry activity levels, in November 2008 the Government of Alberta also introduced a transitional royalty program to reduce royalty rates for new wells drilled between November 19, 2008 and December 31, 2013. After December 31, 2013, the royalty rates under the ARF will apply. In further response to the declining industry activity levels and the global economic crisis, the Alberta government introduced an incentive program in March, 2009 designed to encourage new drilling projects in Alberta. The incentive program provides for a royalty credit related to drilling depths for new conventional oil and natural gas wells commenced on or after April 1, 2009 and that complete drilling by March 31, 2010. In addition, the incentive program provides for a reduced royalty rate on new wells for the first year of production up to a maximum production level of 50,000 barrels

of oil or 500 million cubic feet of natural gas. On March 11, 2010 the Alberta government announced that it would be making further changes to the province's royalty framework, including a reduction of the maximum royalty rate for oil wells from 50% to 40% and the reduction of the maximum royalty rate for natural gas wells from 50% to 36%. These, and other changes, are planned to take effect January 1, 2011. Given the recent changes in the Alberta royalty regime, it is not possible to predict if and when any further changes may occur. Changes to the royalty regime in Alberta are subject to certain risks and uncertainties, and may result in an adverse effect on the industries in which the Corporation operates.

A number of federal, provincial and state governments have announced intentions to regulate greenhouse gases and other air pollutants. These governments are currently developing the regulatory and policy frameworks to deliver on these announcements. In most cases, there are few technical details regarding the implementation and coordination of the plans to reduce emissions. It is also expected that further federal, provincial and state announcements and regulatory frameworks to address emissions will emerge. These initiatives may result in increased operating costs and capital expenditures for oil and natural gas producers, thereby decreasing the demand for the Corporation's services. Given the evolving nature of emission regulation, management is unable to predict the impact of these initiatives on the Corporation. It is possible that these initiatives will adversely affect the Corporation's business, financial condition, results of operations and cash flows.

In the United States, there have been increasing concerns regarding whether the chemicals used in hydraulic fracturing operations contaminate well water or aquifers. A number of federal and state governments have initiated investigations regarding these concerns and discussions have been initiated as to whether it is necessary to regulate hydraulic fracturing operations. It is not possible at this time to predict the impact of these investigations or the possibility of regulation of hydraulic fracturing operations. The introduction of any regulation of hydraulic fracturing operations could have an adverse effect on the demand for the Corporation's services.

Seasonality

Equipment utilization in the Corporation's Canadian operations is affected by weather conditions to varying degrees, with geographic location and type of service being a factor. Canadian oilfield service operations tend to be more active during the winter months from November to March as the movement of heavy equipment is easier over frozen ground and many well site locations are only accessible during the winter months. Canadian oilfield service operations typically experience the lowest levels of equipment utilization during April and May; however, field operations located in northern British Columbia and northern Alberta typically also experience reduced activity levels throughout the summer months. All services provided by Canadian operations are affected by wet weather and road bans; however, the impact on the Drilling Services Segment is typically more pronounced due to increased challenges encountered when moving drilling rigs. The volatility in the weather can therefore create unpredictability in activity and utilization rates, which may have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows.

The weather does not have as significant an impact on equipment utilization in the Corporation's United States operations other than in North Dakota which is subject to similar conditions as those in Canada. Access to well site locations is not typically dependent on ground conditions in the US Rocky Mountain or Appalachian Basin regions. As a result, oilfield services industry activity in the US Rocky Mountain region and Appalachian Basin regions do not tend to be seasonal in nature.

Vulnerability to Market Changes

Fixed costs, including costs associated with facility and office leases, vehicle leases and labour costs account for a significant portion of the Corporation's operating expenses. As a result, reduced productivity resulting from reduced demand, equipment failure, adverse weather conditions or other factors could significantly affect financial results.

Competition

The oilfield service industry is highly competitive and the Corporation competes with a substantial number of companies, some of which have greater technical and financial resources. The Corporation's ability to generate revenue and earnings depends primarily upon its ability to win bids in competitive bidding processes and to provide high quality service for awarded projects within estimated times and costs. There can be no assurance that such competitors will not substantially increase the resources devoted to the development and marketing of products and services that compete with those of the Corporation or that new or existing competitors will not enter the various markets in which the Corporation is active. In certain aspects of its business, the Corporation also competes with a number of small and medium-sized companies, which, like the Corporation, have certain competitive advantages such as low overhead costs and specialized regional strengths. In addition, reduced levels of activity in the oil and natural gas industry can intensify competition and may result in lower revenue to the Corporation.

Dependence on Suppliers

The ability of the Corporation to compete and grow will be dependent on the Corporation having access, at a reasonable cost and in a timely manner, to equipment, parts, components and consumables. Failure of suppliers to deliver such equipment, parts, components and consumables at a reasonable cost and in a timely manner would be detrimental to the Corporation's ability to maintain existing customers and expand its customer list. No assurances can be given that the Corporation will be successful in maintaining its required supply of equipment, parts, components and consumables.

The Corporation's ability to provide services to its customers is also dependent upon the availability at reasonable prices of raw materials which the Corporation purchases from various suppliers, most of which are located in Canada or the United States. Alternate suppliers exist for all raw materials. In periods of high industry activity periodic industry shortages of certain materials have been experienced and costs may be affected. In contrast, periods of low industry activity levels may cause financial distress on a supplier, thus limiting their ability to continue to operate and provide the Corporation with necessary services and supplies.

Management maintains relationships with a number of suppliers to mitigate this risk. However, if the current suppliers are unable to provide the necessary raw materials, or otherwise fail to deliver products in the quantities required, any resulting delays in the provision of services to the

Corporation's customers could have a material adverse effect on the Corporation's results of operations and the Corporation's financial condition.

Operating Risk and Insurance

The Corporation has an insurance and risk management program in place to protect its assets, operations and employees. The Corporation also has programs in place to address compliance with current safety and regulatory standards. However, the Corporation's operations are subject to risks inherent in the oilfield services industry, such as equipment defects, malfunction, failures and natural disasters. In addition, hazards such as unusual or unexpected geological formations, pressures, blow-outs, fires or other conditions may be encountered in drilling completion and servicing of wells. Although such hazards are primarily the responsibility of the oil and natural gas companies which contract with the Corporation, these risks and hazards could expose the Corporation to substantial liability for personal injury, loss of life, business interruption, property damage or destruction, pollution and other environmental damages.

Although the Corporation has obtained insurance against certain of the risks to which it is exposed which it considers adequate and customary in the oilfield services industry, such insurance is subject to coverage limits and exclusions and may not be available for the risks and hazards to which the Corporation is exposed. In addition, no assurance can be given that such insurance will be adequate to cover the Corporation's liabilities or will be generally available in the future or, if available, that premiums will be commercially justifiable. If the Corporation were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, or if the Corporation were to incur such liability at a time when it is not able to obtain liability insurance, its business, results of operations and financial condition could be materially adversely affected.

Equipment and Technology Risks

The ability of the Corporation to meet customer demands in respect of performance and cost will depend upon continuous improvements in operating equipment. There can be no assurance that the Corporation will be successful in its efforts in this regard or that it will have the resources available to meet this continuing demand. Failure by the Corporation to do so could have a material adverse effect on the Corporation. No assurances can be given that competitors will not achieve technological advantages over the Corporation.

The Corporation has not sought or obtained patent or other similar protection in respect of any material tools, equipment or technology it has developed independently. In the future, the Corporation may seek patents or other similar protections in respect of particular tools, equipment and technology; however, the Corporation may not be successful in such efforts. Competitors may also develop similar tools, equipment and technology to those of the Corporation thereby adversely affecting the Corporation's competitive advantage in one or more of its businesses. Additionally, there can be no assurance that certain tools, equipment or technology developed by the Corporation may not be the subject of future patent infringement claims or other similar matters which could result in litigation, the requirement to pay licensing fees or other results that could have a material adverse effect on the business, results of operations and financial condition of the Corporation.

Reliance on Personnel

The success of the Corporation is dependent upon its management, technical and field personnel. Any loss of the services of such individuals could have a material adverse effect on the business and operations of the Corporation. The ability of the Corporation to expand its services is dependent upon its ability to attract additional qualified employees. The ability to secure the services of additional personnel is constrained in times of strong industry activity.

Alternatives to and Changing Demand for Petroleum Products

Fuel conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to oil and natural gas, and technological advances in fuel economy and energy generation devices could reduce the demand for crude oil and other liquid hydrocarbons. The Corporation cannot predict the impact of changing demand for oil and natural gas products, and any major changes may have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows.

Interest Rate Risk

The Corporation's revolving term loan and operating loan facilities have floating interest rate terms. The floating interest rate terms give rise to interest rate cash flow risk as interest payments are recalculated as the market rates change. Management currently does not see this risk as significant due to Canada's history of reasonably stable interest rates and its expectations of future interest rates.

Foreign Exchange Risk

The Corporation is exposed to foreign currency fluctuations in relation to its United States operations. The reported results of the United States operations are affected primarily by the movement in exchange rates between the Canadian and United States dollars. The Corporation's Canadian operations include small exchange rate exposure as some accounts payable are for materials and equipment purchased from suppliers located in the United States. No hedging positions are currently in place.

Conflicts of Interest

Certain of the directors and officers of the Corporation are also directors and/or officers of other oil and natural gas exploration and production entities and other oil and natural gas services companies, and conflicts of interest may arise between their duties as officers and directors of the Corporation and as officers and directors of such other companies. Such conflicts must be disclosed in accordance with, and are subject to such other procedures and remedies as apply under, the ABCA.

Legal Proceedings

The Corporation is involved in litigation from time to time in the ordinary course of business. Although the Corporation is not currently a party to any material legal proceedings, other than as discussed in the "Commitments and Contingencies" note in the Corporation's December 31, 2009 financial statements, claims could be filed against the Corporation resulting in future legal proceedings. No assurance can be given as to the final outcome of any legal proceedings or that the ultimate resolution of any legal proceedings will not have a material adverse effect on the Corporation.

Dilution and Future Sales of Common Shares

The Corporation may issue additional Common Shares in the future, which may dilute a Shareholder's holdings in the Corporation. The Corporation's articles permit the issuance of an unlimited number of Common Shares and an unlimited number of preferred shares, issuable in series, and Shareholders will have no pre-emptive rights in connection with such further issuances. The board of directors of the Corporation has the discretion to determine the provisions attaching to any series of preferred shares and the price and the terms of issue of further issuances of Common Shares.

Failure to Realize Anticipated Benefits of Acquisitions

The Corporation makes acquisitions of businesses and assets in the ordinary course of business. Achieving the benefits of acquisitions depends in part on successfully consolidating functions, retaining key employees and customer relationships and integrating operations and procedures in a timely and efficient manner. Such integration may require substantial management effort, time and resources, may divert management's focus from other strategic opportunities and operational matters and ultimately the Corporation may fail to realize anticipated benefits of acquisitions.

Environmental Liability

The Corporation is subject to various environmental laws and regulations enacted in the jurisdictions in which it operates which govern the manufacture, processing, importation, transportation, handling and disposal of certain materials used in the Corporation's operations. The Corporation has established procedures to address compliance with current environmental laws and regulations and monitors its practices concerning the handling of environmentally hazardous materials. However, there can be no assurance that the Corporation's procedures will prevent environmental damage occurring from spills of materials handled by the Corporation or that such damage has not already occurred. On occasion, substantial liabilities to third parties may be incurred. The Corporation may have the benefit of insurance maintained by it or the operator; however the Corporation may become liable for damages against which it cannot adequately insure or against which it may elect not to insure because of high costs or other reasons.

The Corporation's customers are subject to similar environmental laws and regulations, as well as limits on emissions to the air and discharges into surface and sub-surface waters. While regulatory developments that may follow in subsequent years could have the effect of reducing industry activity, the Corporation cannot predict the nature of the restrictions that may be imposed. The Corporation may be required to increase operating expenses or capital expenditures in order to comply with any new restrictions or regulations.

Certification of Annual Filings

Disclosure Controls and Procedures

The Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining the Corporation's disclosure controls and procedures. They are assisted in this responsibility by the Corporation's senior management team. Disclosure controls and procedures have been designed to ensure that information required to be disclosed by the Corporation is

accumulated and communicated to senior management as appropriate to allow timely decisions regarding required disclosure. An evaluation of the design and operating effectiveness of the Corporation's disclosure controls and procedures as at December 31, 2009 was performed under the supervision of the Chief Executive Officer and Chief Financial Officer and with participation of the Corporation's senior management. The Chief Executive Officer and Chief Financial Officer have concluded that the Corporation's disclosure controls and procedures are not operating effectively due to the weakness in internal controls over financial reporting discussed below.

Internal Controls over Financial Reporting

The Chief Executive Officer and Chief Financial Officer of the Corporation are responsible for designing internal controls over financial reporting or causing them to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. An evaluation of the design and operating effectiveness of the Corporation's internal controls over financial reporting as of December 31, 2009 was performed under the supervision of the Chief Executive Officer and Chief Financial Officer and with participation of the Corporation's senior management.

Based on the Chief Executive Officer and Chief Financial Officer's review of the design and operating effectiveness of Pure's internal controls over financial reporting, the Chief Executive Officer and Chief Financial Officer have concluded that there is a material weakness in the Corporation's internal controls over financial reporting and therefore these controls were not operating effectively at December 31, 2009. This weakness is attributed to the lack of internal expertise at Pure to handle certain non-routine and complex accounting and taxation issues, including those accounting and taxation issues related to Pure's US operations. Where possible, the Corporation consults with third party advisors in dealing with complex and non-routine accounting and taxation issues.

Because of their inherent limitations, disclosure controls and procedures and internal controls over financial reporting may not prevent errors or fraud. Control systems, no matter how well conceived or implemented, can provide only reasonable, not absolute, assurance that the objectives of the control systems are being met.

Outlook

As the Corporation enters 2010, there is cautious optimism about an improvement in industry conditions. Some of the initial signs for this year have been positive, including the improved equipment utilization rates that Pure has recognized in the first two months of 2010 in Canada for both the CCS and Drilling segments, stronger commodity prices (particularly for oil) and improved access to capital for Pure's customers experienced since the fall of 2009.

Although equipment utilization rates have been more robust in early 2010, the Corporation is still challenged by competitive pricing carried over from 2009 which continues to impact Pure's gross margins and earnings. Pure's management continues to focus on pricing for services and operating costs in an effort to maximize margins and profitability for all operating segments.

Pure exited 2009 with a renewed focus on its core businesses of wireline and well testing in the US and Canada complemented by the Corporation's contract drilling services. The acquisition of CanSub has enabled the Corporation to build the operating infrastructure and critical mass to attract and retain additional large customers in both of these regions. The geographic reach in both countries gives Pure the ability to quickly move equipment into high activity areas to maintain utilization rates and revenue streams.

Both Canada and the US have seen significant increases in activity levels in emerging resource plays involving shale gas, tight gas and conventional oil and natural gas due to technology improvements in multi stage fracturing and horizontal drilling. Pure has benefited from the increased work in these areas, given the locations of the Corporation's operating facilities and the significant amount of wireline and testing equipment capable of working in high pressure environments. Pure's management is optimistic that the activity levels in these emerging plays will continue to be strong throughout 2010.

As a result of the sale of the fracturing assets during Q3 2009, combined with the sale of redundant assets during Q3 and Q4 2009, Pure has been able to significantly reduce its Net Debt from the 2009 high of $63.9 million at June 30, 2009 to $32.3 million at December 31, 2009. In addition, Pure has three redundant facilities currently for sale (with aggregate list prices of approximately $10 million) which, when sold, will further reduce the debt load. During March 2010, Pure's senior lender extended the maturity date of the Revolving Facility to June 30, 2011, thereby providing Pure with more financial flexibility. The improved financial position and improved financial flexibility will allow the Corporation to continue to build strategic critical mass in its core wireline and well testing businesses.

Reconciliation of EBITDA and EBITDAS to Net Earnings (Loss)

	Three months ended December 31		Year ended December 31	
($ thousands, from continuing operations)	**2009**	2008	**2009**	2008
Net earnings (loss) before income tax	**$ (3,526)**	$ 1,606	**(17,196)**	$ 1,621
Add: Depreciation and amortization	**3,414**	2,337	**12,143**	10,711
Interest expense (total)	**573**	569	**2,155**	2,630
Impairment of intangible assets	**–**	376	**247**	376
Impairment of property held for sale	**1,012**	–	**1,012**	–
Gain on sale of property and equipment	**(981)**	(100)	**(1,455)**	(113)
Foreign exchange (gain) loss	**(712)**	97	**(470)**	158
EBITDA	**(220)**	4,885	**(3,564)**	15,383
Add: Stock-based compensation	**318**	41	**725**	1,116
EBITDAS	**$ 98**	$ 4,926	**$ (2,839)**	$ 16,499

Forward-looking Statements

This document contains certain forward-looking statements and other information that are based on the Corporation's current expectations, estimates, projections and assumptions made by management in light of its experience and perception of historical trends, current conditions, anticipated future developments and other factors believed by management to be relevant.

All statements and other information contained in this document that address expectations or projections about the future are forward-looking statements. Some of the forward-looking statements may be identified by words such as "may", "would", "could", "will", "intends", "expects", "believes", "plans", "anticipates", "estimates", "continues", "maintains", "projects", "indicates", "outlook", "proposed", "objective" and other similar expressions. These statements speak only as of the date of this document. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements, including, but not limited to, the factors discussed in the "Risks and uncertainties" section in this MD&A and the most recent Annual Information Form, Information Circular, quarterly reports, material change reports and news releases. The Corporation cannot assure investors that actual results will be consistent with the forward-looking statements and readers are cautioned not to place undue reliance on them. The forward-looking statements are provided as of the date of this document and, except as required pursuant to applicable securities laws and regulations, the Corporation assumes no obligation to update or revise such statements to reflect new events or circumstances.

The forward-looking statements and information contained in this document reflect several major factors, expectations and assumptions of the Corporation, including without limitation, that the Corporation will continue to conduct its operations in a manner substantially consistent with past operations, other than its well fracturing operations; the general continuance of current or, if applicable, assumed industry conditions; the continuance of existing (and in certain circumstances, the implementation of proposed) taxation, royalty and regulatory regimes; certain commodity prices and other cost assumptions; certain conditions regarding oil and natural gas supply, demand and storage in North America; and the continued availability of adequate debt and/or equity financing and cash flow from the Corporation's operations to fund its capital and operating requirements as needed; and the extent of its liabilities. Many of these factors, expectations and assumptions are based on management's knowledge and experience in the industry and on public disclosure of industry participants and analysts relating to anticipated exploration and development programs of oil and natural gas producers, the effect of changes to regulatory, taxation and royalty regimes, expected active rig counts and industry equipment utilization in the WCSB and the US Rocky Mountain, North Dakota and Appalachian Basin regions and other matters. The Corporation believes that the material factors, expectations and assumptions reflected in the forward-looking statements and information are reasonable; however, no assurances can be given that these factors, expectations and assumptions will prove to be correct.

In particular, this document contains forward-looking information pertaining to the following: ability to reduce costs in response to lower industry activity levels; success of marketing programs; capital expenditure programs; ability to move equipment within operating locations; availability of debt financing and ability to renew the Corporation's existing credit facilities, at acceptable terms; supply and demand for oilfield services and industry activity levels; oil and natural gas prices; oil and natural gas drilling activity; treatment under governmental royalty, collection of accounts receivable; operating risk liability; expectations regarding market prices and costs; ability to sell certain properties in Canada listed for sale; expansion of services and operations in Canada and the United States; the anticipated synergies, operating efficiencies and cost savings resulting from the merger of the Corporation and CanSub; and competitive conditions.

Management's Report

To the Shareholders of Pure Energy Services Ltd.

The accompanying consolidated financial statements and all information in the Management's Discussion and Analysis are the responsibility of management and the Board of Directors of the Corporation. The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and include certain estimates that reflect management's best judgments. The financial and operating information presented in the Management's Discussion and Analysis is consistent with that shown in the consolidated financial statements.

Management maintains an appropriate system of internal controls, which ensure transactions are appropriately authorized and accurately recorded, assets are safeguarded and financial records are properly maintained.

External auditors, appointed by the shareholders, have conducted an examination of the consolidated financial statements and have provided an independent professional opinion. The Audit Committee, appointed by the Board of Directors and comprised of directors who are not officers or employees of the Corporation, has reviewed the consolidated financial statements with management and the external auditors and has reported to the Board of Directors. The Board has approved the financial statements.

J. KEVIN DELANEY
Chief Executive Officer and Chairman

CHRIS N. MARTIN, CA
Vice President, Finance
and Chief Financial Officer

Calgary, Canada
March 16, 2010

Auditors' Report

To the Shareholders of Pure Energy Services Ltd.

We have audited the consolidated balance sheets of Pure Energy Services Ltd. as at December 31, 2009 and 2008 and the consolidated statements of earnings (loss) and retained earnings (deficit), comprehensive income (loss) and accumulated other comprehensive income (loss) and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Calgary, Canada
March 16, 2010

Consolidated Balance Sheets

As at December 31

(Stated in thousands of Cdn dollars)		2009	2008
			As restated (Note 16)
Assets			
Current assets			
Cash and cash equivalents		**$ 1,986**	$ 4,201
Accounts receivable		**23,297**	37,304
Inventory	*(Note 5)*	**2,887**	5,041
Deposits and prepaid expenses		**2,002**	1,996
Current assets of discontinued operations	*(Note 16)*	**446**	–
		30,618	48,542
Property and equipment	*(Note 6)*	**123,119**	179,002
Property held for sale	*(Note 7)*	**6,266**	–
Future income taxes	*(Note 10)*	**23,224**	–
Intangible assets	*(Note 8)*	**–**	266
		$ 183,227	$ 227,810
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities		**$ 14,359**	$ 16,868
Income taxes payable		**384**	1,455
Current portion of long-term debt	*(Note 9)*	**103**	7,909
Current liabilities of discontinued operations	*(Note 16)*	**110**	–
		14,956	26,232
Long-term debt	*(Note 9)*	**47,948**	57,405
Future income taxes	*(Note 10)*	**–**	4,366
		62,904	88,003
Shareholders' equity			
Share capital	*(Note 11)*	**120,913**	106,510
Contributed surplus	*(Note 11)*	**4,236**	3,511
Accumulated other comprehensive income (loss)	*(Note 11)*	**(2,296)**	4,172
Retained earnings (deficit)		**(2,530)**	25,614
		120,323	139,807
Commitments and contingencies	*(Note 13)*	**$ 183,227**	$ 227,810

See accompanying notes to the consolidated financial statements.

Approved by the Board:

H R Allsopp

HAROLD R. ALLSOP
Director

J C Smith

JAMES C. SMITH
Director

Consolidated Statements of Earnings (Loss) and Retained Earnings (Deficit)

For the years ended December 31,

(Stated in thousands of Cdn dollars, except per share amounts)		2009	2008 *As restated (Note 16)*
Revenue		**$ 114,694**	$ 142,474
Operating expenses		**99,479**	106,801
Gross margin		**15,215**	35,673
Other expenses			
Selling, general and administrative		**18,054**	19,174
Stock-based compensation	*(Note 11)*	**725**	1,116
Depreciation and amortization		**12,143**	10,711
Impairment of property held for sale	*(Note 7)*	**1,012**	–
Impairment of intangible assets	*(Note 8)*	**247**	376
Interest on long-term debt		**2,134**	2,304
Other interest		**21**	326
Gain on sale of property and equipment		**(1,455)**	(113)
Foreign exchange (gain) loss		**(470)**	158
Earnings (loss) before income taxes		**(17,196)**	1,621
Income taxes	*(Note 10)*		
Current expense		**255**	2,375
Future (reduction)		**(4,193)**	(1,181)
		(3,938)	1,194
Net earnings (loss) from continuing operations		**(13,258)**	427
Net earnings (loss) from discontinued operations	*(Note 16)*	**(14,886)**	865
Net earnings (loss)		**(28,144)**	1,292
Retained earnings, beginning of year, as restated		**25,614**	24,322
Retained earnings (deficit), end of year		**$ (2,530)**	$ 25,614
Earnings (loss) per share from continuing operations			
Basic and diluted	*(Note 12)*	**$ (0.66)**	$ 0.03
Earnings (loss) per share from discontinued operations			
Basic and diluted	*(Note 12)*	**$ (0.74)**	$ 0.05
Earnings (loss) per common share			
Basic and diluted	*(Note 12)*	**$ (1.40)**	$ 0.08

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Comprehensive Income (Loss) and Accumulated Other Comprehensive Income (Loss)

For the years ended December 31,

(Stated in thousands of Cdn dollars)	**2009**	2008
		As restated (Note 16)
Comprehensive income (loss)		
Net earnings (loss)	**$ (28,144)**	$ 1,292
Add/deduct other comprehensive income (loss) items:		
Foreign currency translation adjustment	**(5,863)**	8,263
Unrealized portion of foreign exchange (gain) loss	**(605)**	–
	(6,468)	8,263
Comprehensive income (loss)	**$ (34,612)**	$ 9,555

Accumulated other comprehensive income (loss)	**2009**	2008
Balance, beginning of year	**$ 4,172**	$ (4,091)
Unrealized gain (loss) on translation of foreign operations during the year	**(6,468)**	8,263
Balance, end of year	**$ (2,296)**	$ 4,172

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

For the years ended December 31,

(Stated in thousands of Cdn dollars)		2009	2008 *As restated (Note 16)*
Cash provided by (used in):			
Operating activities			
Net earnings (loss) from continuing operations		**$ (13,258)**	$ 427
Items not involving cash from continuing operations:			
Depreciation and amortization		**12,143**	10,711
Stock-based compensation		**725**	1,116
Impairment of property held for sale	*(Note 7)*	**1,012**	–
Impairment of intangible assets	*(Note 8)*	**247**	376
Future income tax reduction		**(4,193)**	(1,181)
Gain on sale of property and equipment		**(1,455)**	(113)
Unrealized portion of foreign exchange (gain) loss		**(605)**	5
		(5,384)	11,341
Changes in non-cash working capital balances from continuing operations	*(Note 15)*	**8,722**	(7,372)
Continuing operations		**3,338**	3,969
Discontinued operations	*(Note 16)*	**5,716**	889
		9,054	4,858
Investing activities			
Purchases of property and equipment		**(6,334)**	(14,252)
Proceeds from sale of property and equipment		**6,402**	547
Business acquisition	*(Note 4)*	**(5,518)**	–
Changes in non-cash working capital balances	*(Note 15)*	**197**	676
Discontinued operations	*(Note 16)*	**32,000**	(13,180)
		26,747	(26,209)
Financing activities			
Repayment of operating loan		**–**	(1,568)
Net proceeds from (repayment of) revolving term loans		**(29,698)**	20,489
Proceeds from fixed term loans		**–**	3,840
Repayment of fixed term loans		**(4,317)**	(4,001)
Government grant received		**–**	245
Issue of share capital, net of share issuance costs		**(19)**	50
Discontinued operations	*(Note 16)*	**(3,675)**	3,460
		(37,709)	22,515
Increase (decrease) in cash and cash equivalents		**(1,908)**	1,164
Effect of translation on foreign currency cash and cash equivalents		**(307)**	994
Cash and cash equivalents, beginning of year		**4,201**	2,043
Cash and cash equivalents, end of year		**$ 1,986**	$ 4,201
Supplemental cash flow information	*(Note 15)*		

See accompanying notes to the consolidated financial statements.

1. Nature of operations

Pure Energy Services Ltd. (the "Corporation") was incorporated under the Business Corporations Act (Alberta) and provides drilling and completion related oilfield services to oil and natural gas exploration and development companies in western Canada and the United States' Rocky Mountain, North Dakota and Appalachian Basin regions.

The ability to move heavy equipment through oil and natural gas fields in western Canada and parts of the United States ("US") is dependent on weather conditions, whereby thawing in the spring renders many secondary roads incapable of supporting heavy equipment until the ground is dry. In addition, locations in more northern regions of western Canada are accessible only in winter months when the ground is frozen and can support the equipment. As a result of this seasonality, the Corporation's activity is traditionally higher in the first and fourth calendar quarters of the year than in the second and third quarters.

2. Significant accounting policies

a) Principles of consolidation

These consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiaries and partnership from their respective dates of acquisition or incorporation. All intercompany balances and transactions have been eliminated on consolidation in accordance with Canadian generally accepted accounting principles ("GAAP").

b) Cash and cash equivalents

Cash and cash equivalents include cash and short term investments with original maturities of less than 90 days.

c) Inventory

Inventory consists of supplies, spare parts, equipment held for resale and fracturing sand and chemicals all of which are recorded at the lower of cost or net realizeable value. Cost is determined on an average or specific item basis (depending on the item) and net realizeable value.

d) Property and equipment

Property and equipment is stated at cost less accumulated depreciation. Depreciation is calculated after providing for estimated salvage values at a rate which is expected to depreciate the cost of the asset over its estimated useful life. The methods and rates applied are:

Asset Category	Method	Rate
Automotive	declining balance	30%
Buildings	declining balance	6%
Completion services equipment	straight-line	7 to 10 years
Drilling services equipment	unit of production	based on 3,650 operating days
Drilling rental equipment	straight-line	10 years
Furniture and fixtures	declining balance	20% to 30%
Leasehold improvements	straight-line	5 years

Completion services equipment, drilling services equipment and drilling rental equipment are depreciated to the estimated residual value of 20% of the original cost.

Assets under construction are stated at cost until they are available for use in operations, at which point they are reclassified into one of the above categories and depreciated accordingly starting the month after they become available for use in operations.

Management bases the estimate of the useful life and salvage value of property and equipment on expected utilization, technological change and effectiveness of maintenance programs. Although management believes the estimated useful lives of the Corporation's property and equipment are reasonable, it is possible that changes could occur which may affect these estimates.

e) Income taxes

Income taxes are calculated using the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are recognized for the future income tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future income tax assets and liabilities are measured using enacted or substantively enacted income tax rates expected to apply when the asset is realized or the liability settled. The effect on future income tax assets and liabilities of a change in income tax rates is recognized in income in the period that substantive enactment or actual enactment occurs. The computation of the provision for income taxes involves tax interpretations, regulations and legislation that are continually changing.

f) Stock-based compensation plan

The Corporation has a stock-based compensation plan as outlined in Note 11(b). The Corporation accounts for stock options using the Black-Scholes option pricing model. Under this method, all stock options issued under the stock-based compensation plan generate an expense to the Corporation based on the expected future benefit to the holder as determined by the difference between the exercise price and the share price on the date of grant and as impacted by: the vesting period of the options, the potential price volatility, the length of the option period and other valuation factors. The expense is recognized evenly over the vesting period of the options. When stock options are exercised, the proceeds together with the amount recorded in contributed surplus are recorded in share capital.

g) Revenue recognition

The Corporation recognizes revenue at the time the product is provided or service is performed on a daily, hourly or job basis. Revenue is not recognized before there is persuasive evidence that an arrangement exists, delivery has occurred or the service has been provided, the rate is fixed and determinable, and the collection of amounts billed to the customer is considered probable. The Corporation considers persuasive evidence to exist when a formal contract is signed or customer acceptance is obtained. Contract terms do not include a provision for post-service obligations.

h) Long-lived assets

Long-lived assets, which include property and equipment, property held for sale and intangible assets, are tested for impairment when there is an indication of impairment. Indications of impairment include items such as an ongoing lack of profitability and significant changes in technology. When an indication of impairment exists, the Corporation tests for impairment by comparing the carrying value of the asset to the sum of the estimated non-discounted future cash flows expected from its use and eventual disposition ("estimated fair value"). If the

carrying value is greater than the estimated fair value, an impairment loss is recognized to reduce the asset's carrying value to its estimated fair value.

i) Foreign currency translation

The Corporation's United States ("US") subsidiary is considered financially and operationally independent from the Corporation and is therefore classified as a self-sustaining foreign operation for which the current rate method is used to translate its financial statements. Under this method, net assets are translated at year-end rates and income and expense accounts are translated at average exchange rates. Adjustments resulting from these translations are reflected in the statements of comprehensive income (loss) and accumulated other comprehensive income (loss).

j) Earnings (loss) per share

Basic per share data is calculated using the weighted average number of common shares outstanding during the year. Under the treasury stock method, diluted per share data is calculated based on the weighted average number of shares issued and outstanding during the year, adjusted for any additional common shares that would have been issued assuming exercise of all stock options with exercise prices at or below the average market price for the year, offset by the reduction in common shares that would be re-purchased with the exercise proceeds.

k) Use of estimates

These consolidated financial statements are prepared in accordance with GAAP. Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.

l) Comparative figures

Certain comparative figures have been reclassified to conform to the presentation adopted in the current year.

3. Adoption of new accounting standards

a) On January 1, 2009, the Corporation adopted new accounting standards dealing with Intangible Assets issued by the Canadian Institute of Chartered Accountants ("CICA"). These new standards, which apply to fiscal years beginning on or after October 1, 2008, have been adopted retrospectively. The revisions to the various accounting standards align the definition of Intangible Assets under Canadian GAAP with that under International Financial Reporting Standards ("IFRS"). Section 1000, *"Financial Statement Concepts"* was revised to remove material that permitted the recognition of assets that might not otherwise meet the definition of an asset and to add guidance from the International Accounting Standards Board's ("IASB") *"Framework for the Preparation and Presentation of Financial Statements"* that will help distinguish assets from expenses. Section 3064 *"Goodwill and Intangible Assets"*, which replaces Section 3052 *"Goodwill and Other Intangible Assets"*, gives guidance on the recognition of intangible assets, as well as the recognition and measurement of internally developed intangible assets. As a result of the adoption of the new Section 3064, the intangible assets relating to pre-operating expenditures for start-up activities in the US were expensed and balances for prior periods restated to reflect the change.

(Stated in thousands of Cdn dollars unless otherwise stated)

The resulting impact on the comparative December 31, 2008 balance sheet related to the change in accounting for intangible assets is as follows:

	Previously Reported	Restated
Retained earnings, December 31, 2007	$ 25,310	$ 24,322
Retained earnings, December 31, 2008	26,322	25,614
Intangible assets	1,671	266
Future income taxes	4,886	4,366
Accumulated other comprehensive income	4,349	4,172

For the comparative income statement, amortization for the year ended December 31, 2008 decreased by $444 while future income tax expense increased by $164 as a result of this change in accounting for intangible assets.

b) In January 2009, the CICA issued additional new or revised Canadian accounting standards for business combinations, consolidated financial statements and accounting for non-controlling interests and transactions with non-controlling interest holders. The purpose of these standards and revisions are to further align Canadian GAAP with IFRS. These standards are to be applied prospectively to transactions on or after January 1, 2011. The Corporation does not anticipate that these standards will have a material impact on the Corporation's financial statements unless the Corporation completes a business combination or creates a non-controlling interest in a subsidiary.

c) In June 2009, the CICA amended Section 3862 "Financial Instruments – Disclosures" to include additional disclosure requirements about fair value measurements of financial instruments and enhanced liquidity risk disclosure requirements. The Corporation has adopted these amendments that require the classification of fair value measurements of financial instruments using a three level hierarchy reflecting the significance of the inputs used in estimating these fair value measurements. The fair value hierarchy consists of the following levels:

i) financial assets and liabilities measured at estimated fair values determined using quoted prices in active markets for identical assets or liabilities.

ii) financial assets and liabilities measured at estimated fair values determined using inputs other than quoted prices that are observable for the asset or liability either directly (as prices) or indirectly (derived from prices).

iii) financial assets and liabilities measured at estimated fair values determined using inputs that are not based on observable market data.

Classification of the fair value measurements is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

As a result of the adoption of the amendments to the disclosure requirements under this section, the Corporation has measured the fair value of its financial assets and liabilities as discussed in Note 18.

(Stated in thousands of Cdn dollars unless otherwise stated)

4. Business Acquisition

On June 22, 2009, the Corporation acquired all of the issued and outstanding shares of Canadian Sub-Surface Energy Services Corp. ("CanSub"). CanSub is a Calgary-based oilfield services company operating from field locations across western Canada and in the United States' North Dakota region. CanSub provides well completion services to oil and natural gas exploration and development companies. The acquisition was completed pursuant to a plan of arrangement (the "Arrangement") under the Business Corporations Act (Alberta).

Pursuant to the Arrangement, the Corporation acquired all of the outstanding shares of CanSub at an exchange ratio of 0.3017 of the Corporation's shares for each outstanding CanSub share resulting in a total of 7,835,216 of the Corporation's shares being issued under the Arrangement priced at a value of $1.84 per share. The $1.84 per share value represents the weighted average trading price for the five trading days during the period of May 4, 2009 to May 8, 2009, consisting of the two days prior to announcement of the acquisition, the announcement date and the two days following the announcement of the acquisition.

The acquisition has been accounted for using the purchase method whereby the purchase price is allocated to the net assets acquired based on their estimated fair values. The results of CanSub's operations are included in the Corporation's consolidated financial statements from the acquisition date and are reported in the Corporation's Completion Services segments in Canada and the US. The purchase price was allocated as follows:

Purchase price:	
Issue of common shares	$ 14,417
Transaction costs	3,681
	$ 18,098
Purchase price allocation:	
Accounts receivable, net	$ 6,571
Deposits and other	466
Inventory	440
Property and equipment	18,928
Future income taxes	18,015
Operating loan	(1,843)
Accounts payable and accrued liabilities	(3,647)
Long-term debt and capital lease obligations	(20,832)
	$ 18,098

5. Inventory

	2009	2008
Supplies and maintenance parts	**$ 2,623**	$ 3,280
Equipment held for resale	**264**	–
Fracturing sand and chemicals	**–**	1,761
	$ 2,887	$ 5,041

All of the Corporation's assets, including inventory, have been pledged as security under the Corporation's debt facilities discussed in Note 9.

(Stated in thousands of Cdn dollars unless otherwise stated)

6. Property and equipment

2009

	Cost	**Accumulated Depreciation**	**Net Book Value**
Completion services equipment	**$ 99,069**	**$ 33,493**	**$ 65,576**
Drilling services and rental equipment	**53,366**	**5,960**	**47,406**
Buildings	**3,689**	**469**	**3,220**
Furniture and fixtures	**7,748**	**5,221**	**2,527**
Automotive	**4,868**	**3,377**	**1,491**
Land	**1,872**	**–**	**1,872**
Leasehold improvements	**888**	**517**	**371**
Assets under construction	**656**	**–**	**656**
	$ 172,156	**$ 49,037**	**$ 123,119**

2008

	Cost	Accumulated Depreciation	Net Book Value
Completion services equipment	$ 136,092	$ 33,462	$ 102,630
Drilling services and rental equipment	52,338	4,344	47,994
Buildings	10,799	1,499	9,300
Furniture and fixtures	7,791	4,462	3,329
Automotive	4,503	2,953	1,550
Land	7,547	–	7,547
Leasehold improvements	1,138	295	843
Assets under construction	5,809	–	5,809
	$ 226,017	$ 47,015	$ 179,002

Property and equipment impairment tests were performed by management and it was determined that there was no impairment of the carrying values of the Corporation's property and equipment as at December 31, 2009.

7. Property held for sale

As a result of the acquisition of CanSub (Note 4), certain operating facilities of the Corporation have become redundant. As of December 31, 2009, management has committed to a plan to sell these properties and has classified these assets as held for sale. The Corporation performed an impairment test on each of these properties individually at December 31, 2009 and determined that the carrying value of one of the properties exceeded its estimated fair value less costs to sell. As a result, the Corporation has recognized a $1,012 impairment loss in the Canadian Completions Services reporting segment.

		Cost	Accumulated Depreciation	Net Book Value
Property held for sale	**December 31, 2009**	**$ 6,866**	**$ 600**	**$ 6,266**
	December 31, 2008	$ –	$ –	$ –

(Stated in thousands of Cdn dollars unless otherwise stated)

8. Intangible assets

			Cost		Accumulated Amortization		Net Book Value
Customer lists	**December 31, 2009**	**$**	**–**	**$**	**–**	**$**	**–**
	December 31, 2008	$	390	$	124	$	266

The customer lists were acquired as part of two business acquisitions completed in 2006. The Corporation performed impairment tests for these intangible assets which revealed that the carrying amounts exceeded the estimated fair values resulting in an impairment loss of $247 (after recognizing amortization expense of $19) for the year ended December 31, 2009 (2008 – $376).

9. Debt facilities

On June 22, 2009, the Corporation entered into an amended and restated credit agreement with its senior lender that provided a secured $18,000 demand revolving operating credit facility ("Operating Facility"), a secured $80,000 one year extendible revolving credit facility ("Revolving Facility") and a secured $400 capital lease facility. Borrowings under the Operating Facility bear interest at either: (i) the lender's prime rate plus 1.50%, or (ii) bankers acceptance rates plus 2.75%. Borrowings under the Revolving Facility bear interest at either: (i) the lender's prime rate plus 2.50%, or (ii) bankers acceptance rates plus 4.00%. These new facilities replaced all of the prior outstanding facilities with the senior lender. The other terms of the new facilities, including financial covenants and borrowing limits, were similar to those contained in the Corporation's previous credit facility agreement.

At the request of the Corporation, the Revolving Facility was reduced to $60,000 in November 2009. Effective March 9, 2010, as part of the annual review of the credit facilities, the senior lender further reduced the Revolving Facility to $50,000 and reduced the Operating Facility to $15,000 (for an aggregate limit of $65,000). Effective September 30, 2010 the aggregate limit will be reduced to $60,000 (Revolving Facility of $45,000 and Operating Facility of $15,000) and then reduced to $50,000 (Revolving Facility of $35,000 and Operating Facility of $15,000) at March 31, 2011. The new maturity date of the Revolving Facility is June 30, 2011. If the lender does not extend the facility at that date, then the drawn amounts under the facility will convert to a 12 month term loan with 25% of the outstanding balance repayable in equal quarterly installments over the one year period and the remaining balance due on June 30, 2012.

Borrowings under the Corporation's Revolving Facility are limited to 50% of the net book value of property and equipment and property held for sale, excluding any assets subject to other encumbrances, up to the maximum limit of the Revolving Facility. Borrowings under the Corporation's Operating Facility are limited to 75% of marginable accounts receivable less certain priority claims up to the limit of the Operating Facility. Based on the calculated margin for these facilities at December 31, 2009, the Corporation had aggregate available (but undrawn) facilities of $26,895. Under the aggregate limit of the revised facilities that became effective on March 9, 2010, the total available, but undrawn amount at December 31, 2009 would have been $16,895. Drawn amounts under the credit facilities are subject to compliance with the related debt covenants.

In November 2009, the Corporation's senior lender amended one of the debt covenants which related to the trailing 12-month earnings before interest, taxes, depreciation and amortization and stock-based compensation expense ("EBITDAS"). The covenant was amended so that the calendar

(Stated in thousands of Cdn dollars unless otherwise stated)

2010 quarterly covenant calculations will be based on the 2010 year to date EBITDAS figures with no inclusion of trailing 2009 EBITDAS amounts. The senior lender also provided a forbearance of the breach of this covenant which occurred on December 31, 2009. The Corporation was in compliance with all other covenants at December 31, 2009. The previous loan covenants continue to apply to the new credit facility limits established by the lender on March 9, 2010, with an additional covenant now in place related to minimum required EBITDAS amounts.

The table below summarizes the amounts outstanding under the various credit facilities available to the Corporation at December 31, 2009 and 2008.

	2009	2008
Revolving facility	$ 47,900	$ 56,989
Non-Revolving term loan facility	–	4,000
Capital lease facility	151	237
US term loan facility	–	4,088
	48,051	65,314
Less: current portion	103	7,909
	$ 47,948	$ 57,405

Principal payments required subsequent to December 31, 2009 are as follows:

2010	$ 103
2011	6,034
2012 and thereafter	41,914
Total	$ 48,051

During the third quarter of 2009, the Corporation's US term loan facility was discharged as it was assumed by the purchaser of the fracturing operations (Note 16).

10. Income taxes

Income tax expense differs from the amount that would be computed by applying the effective Canadian federal and provincial statutory income tax rates of 29.14% (2008 – 29.75%) to earnings (loss) before income taxes and is reconciled as follows:

	2009	2008
Earnings (loss) before income taxes from continuing operations	$ (17,196)	$ 1,621
Statutory income tax rate	29.14%	29.75%
Expected income tax expense (recovery) for continuing operations	$ (5,011)	$ 482
Increase (reduction) of future income tax balances due to substantively enacted income tax rate changes	571	(1,354)
Alternative minimum tax paid	–	188
Adjustments related to filed and amended tax returns	585	207
Non-deductible expenses	832	1,254
Stock-based compensation expense	211	332
Income tax expense (recovery) in higher rate foreign jurisdictions	(1,206)	63
Non-taxable portion of capital gains	(135)	(7)
Rate difference related to foreign exchange gains and losses	440	–
Other	(225)	29
	$ (3,938)	$ 1,194

(Stated in thousands of Cdn dollars unless otherwise stated)

The income tax effect of temporary differences that give rise to the future income tax assets and liabilities are presented below:

	2009	2008
Future income tax assets		
Non-capital losses	**$ 22,204**	$ 1,799
Expenditures not recognized for tax until cash paid	**8,664**	9,765
Share issue costs	**695**	677
Future income tax liabilities		
Property and equipment	**(8,339)**	(14,877)
Operations of a partnership with a different tax year	**–**	(1,730)
Net future income tax asset	**$ 23,224**	$ (4,366)

The Corporation has non-capital losses that can be used to reduce future taxable income in Canada of $71,679 (2008 – $8,795) and non-capital losses and deferred expense pools that can be used to reduce future taxable income in the US of $33,443 (2008 – $17,852). These losses, which are subject to review and assessment by the related taxation authorities, expire as follows:

	Canada	US
2025	$ 2,417	$ –
2026	1,992	–
2027	531	–
2028	–	–
2029	66,739	11,537
No expiry	–	21,906
	$ 71,679	**$ 33,443**

11. *Share capital*

a) Changes in share capital and equity

The Corporation has an unlimited number of common shares and an unlimited number of preferred shares.

Changes in the Corporation's equity accounts for the year, including common shares issued and outstanding, are as follows:

	Common Shares Number *(000's)*	Amount	Contributed Surplus	AOCI *	Retained Earnings (deficit)	Total
Balance, December 31, 2008	**15,905**	**$106,510**	**$ 3,511**	**$ 4,172**	**$25,614**	**$139,807**
Issue of shares for CanSub acquisition	7,835	14,417	–	–	–	14,417
Share issue and other costs	–	(14)	–	–	–	(14)
Stock-based compensation	–	–	725	–	–	725
Net earnings (loss)	–	–	–	–	(28,144)	(28,144)
Other comprehensive income (loss)	–	–	–	(6,468)	–	(6,468)
Balance, December 31, 2009	**23,740**	**$120,913**	**$ 4,236**	**$ (2,296)**	**$(2,530)**	**$120,323**

* *AOCI represents Accumulated Other Comprehensive Income*

(Stated in thousands of Cdn dollars unless otherwise stated)

b) Stock options

The Corporation has reserved 2,374,000 common shares at December 31, 2009 (2008 – 1,590,000) for issue under its stock option plan for officers, directors, employees, and service providers. The maximum number of shares reserved for issue under the stock option plan is limited to 10% of the total number of outstanding common shares.

Options to purchase common shares may be granted by the Board of Directors to officers, directors, employees, and service providers of the Corporation. One third of the options vest on each of the first, second, and third year anniversary dates of the grant date on a cumulative basis and have a maximum term of four years (other than 4,000 options which have a maximum term of ten years).

	2009			2008		
	Number of Options *(000's)*		**Weighted Average Exercise Price** *($)*	Number of Options *(000's)*		Weighted Average Exercise Price *($)*
Outstanding, beginning of year	**1,381**	**$**	**7.41**	1,491	$	8.74
Granted	**1,651**		**1.78**	351		6.41
Exercised	**–**		**–**	(58)		0.86
Forfeited/cancelled	**(1,645)**		**6.49**	(320)		13.77
Expired	**–**		**–**	(83)		7.20
Outstanding, end of year	**1,387**	**$**	**1.80**	1,381	$	7.41
Exercisable, end of year	**4**	**$**	**8.00**	992	$	7.77

The following table summarizes stock options outstanding at December 31, 2009:

	Options Outstanding				**Options Exercisable**		
Range of exercise prices	Number outstanding *(000's)*	Weighted average remaining life *(years)*		Weighted average exercise price *($)*	Number exercisable *(000's)*		Weighted average exercise price *($)*
$1.77 to $2.05	1,383	3.5	$	1.78	–	$	–
$8.00	4	5.7		8.00	4		8.00
	1,387	3.6	$	1.80	4	$	8.00

During 2008, 165,000 stock options held by non-insiders of the Corporation were cancelled and 135,000 new options were re-issued with an exercise price of $8.25. An additional expense of $446 was recorded for this transaction.

During July 2009, 510,293 options held by non-insiders of the Corporation were cancelled and 461,500 new options were re-issued with an exercise price of $1.77. An additional expense of $103 was recorded for this transaction. Also, during July 2009, 461,000 options were issued to insiders of the Corporation with an exercise price of $1.77. During November 2009, 437,500 options held by insiders of the Corporation were cancelled and an additional expense of $273 was recorded for this transaction.

(Stated in thousands of Cdn dollars unless otherwise stated)

The Corporation calculates the fair value of its stock options using the Black-Scholes option pricing model. The following table outlines the assumptions and resulting fair value amounts:

	2009	2008
Significant assumptions used to determine the fair value of options on the respective grant dates:		
Risk free interest rate	**2.11%**	2.94%
Expected life	**4 years**	5 to 10 years
Vesting period	**3 years**	3 years
Expected dividend	**nil**	nil
Expected share price volatility*	**70.51%**	64.87%
Average calculated fair value of options granted	**$ 0.91**	$ 2.63

* *Based on historical volatility*

12. *Earnings (loss) per share*

Earnings (loss) per common share is calculated using the weighted average number of common shares outstanding during the period.

(000's)	2009	2008
Weighted average number of common shares	**20,048**	15,896
Diluted weighted average number of common shares	**20,048**	15,904

For the year ended December 31, 2009, 1,387,000 (2008 – 1,373,000) options were excluded from the calculation of diluted weighted average number of common shares, as the effect was anti-dilutive. Therefore, no adjustments were required in computing diluted per share amounts.

13. *Commitments and contingencies*

a) Commitments:

In addition to the repayments under the existing debt facilities, the Corporation is committed to payments under various operating leases for shop facilities, automobiles, office space and office equipment. Annual minimum lease payments required subsequent to December 31, 2009 are as follows:

2010	$ 8,297
2011	6,355
2012	5,408
2013	5,154
2014 and thereafter	12,858
	$ 38,072

b) Contingencies:

The Corporation, through the performance of its services, is sometimes named as a defendant in litigation. The nature of these claims is usually related to personal injury or the delivery of services. The Corporation maintains a level of insurance coverage deemed appropriate by management in those areas which can be insured.

(Stated in thousands of Cdn dollars unless otherwise stated)

A statement of claim in the amount of $20,000 is currently outstanding against the Corporation and certain individuals by a competitor in the wireline business. The claim, filed in July 2008, relates to alleged damages resulting from the hiring by CanSub of certain former employees of the plaintiff. The Corporation has assessed the claim and believes it to be without merit and intends to aggressively defend the lawsuit.

A statement of claim in the amount of $673 is currently outstanding against the Corporation by one of the Corporation's former suppliers. The Corporation has filed a counterclaim against the supplier in the amount of $2,300. The Corporation is currently unable to determine the likelihood of success of either claim at this time.

14. Segmented information

The Corporation's operations are divided into four separate reporting segments: Canadian Completion Services ("CCS"), US Completion Services ("USCS"), Drilling Services ("Drilling") and Corporate General and Administration ("Corporate") which operate in two geographic areas (Canada and the US).

The CCS segment conducts operations in western Canada and primarily provides wireline and well testing services which are performed on new and producing oil and natural gas wells for exploration and development companies.

The USCS segment conducts operations in the Rocky Mountain, North Dakota and Appalachian Basin regions of the US and provides wireline and well testing services which are also performed on new and producing oil and natural gas wells for exploration and development companies. The Corporation's fracturing operations (which were formerly conducted in this segment) were sold in the third quarter of 2009 and are included in discontinued operations (Note 16).

The Drilling segment conducts operations in western Canada and provides contract drilling services and drilling equipment rentals to oil and natural gas exploration and development companies.

The Corporate segment primarily includes corporate administration and other costs not specifically attributable to the CCS, USCS and Drilling segments.

The segmented amounts for the years ended December 31, 2009 and 2008 are as follows:

2009

	CCS	USCS	Drilling	Corporate	Total
Continuing operations:					
Revenue	$ 56,708	$ 38,261	$ 19,725	$ –	$ 114,694
Earnings (loss) before income taxes	(10,377)	1,778	(1,277)	(7,320)	(17,196)
Interest expense	–	–	–	2,155	2,155
Depreciation and amortization	6,260	3,601	1,864	418	12,143
Impairment of property held for sale	1,012	–	–	–	1,012
Impairment of intangible assets	–	–	247	–	247
Capital expenditures	1,515	3,777	981	61	6,334
Discontinued operations:					
Earnings (loss) before income taxes	–	(21,404)	–	–	(21,404)
Total assets	75,810	47,652	58,479	1,286	183,227

(Stated in thousands of Cdn dollars unless otherwise stated)

2008

	CCS	USCS	Drilling	Corporate	Total
Continuing operations:					
Revenue	$ 55,306	$ 48,773	$ 38,395	$ –	$ 142,474
Earnings (loss) before income taxes	(1,821)	7,678	5,261	(9,497)	1,621
Interest expense	–	–	–	2,630	2,630
Depreciation and amortization	5,325	2,548	1,791	1,047	10,711
Impairment of intangible assets	376	–	–	–	376
Capital expenditures	4,425	4,129	4,417	1,281	14,252
Discontinued operations:					
Earnings (loss) before income taxes	–	1,372	–	–	1,372
Total assets	52,086	112,990	59,750	2,984	227,810

The Corporation operates in the following geographic locations:

	Canada		US		Total	
	2009	2008	**2009**	2008	**2009**	2008
Continuing operations:						
Revenue	**$ 76,433**	$ 93,227	**$ 38,261**	$ 49,247	**$114,694**	$ 142,474
Earnings (loss) before income taxes	**(18,974)**	(6,057)	**1,778**	7,678	**(17,196)**	1,621
Discontinued operations:						
Earnings (loss) before income taxes	**–**	–	**(21,404)**	1,372	**(21,404)**	1,372
Property and equipment	**94,657**	93,161	**28,462**	85,841	**123,119**	179,002
Intangible assets	**–**	266	**–**	–	**–**	266

15. Supplemental cash flow information

	2009	2008
Interest paid	**$ 2,155**	$ 2,041
Income taxes paid	**1,127**	864
Components of change in non-cash working capital balances:		
Accounts receivable	**19,772**	(12,584)
Inventory	**2,157**	(1,477)
Prepaid expenses and deposits	**335**	(140)
Accounts payable and accrued liabilities	**(5,622)**	1,115
Income taxes payable	**(1,042)**	1,334
	15,600	(11,752)
Less: Change in non-cash working capital related to investing activities	**197**	676
Less: Change in non-cash working capital related to discontinued operations *(Note 16)*	**6,681**	(5,056)
Net Change in non-cash working capital from operating activities – continuing operations	**$ 8,722**	$ (7,372)

(Stated in thousands of Cdn dollars unless otherwise stated)

16. Discontinued operations

On August 14, 2009 the Corporation sold its well fracturing assets and associated inventory to a competitor in the fracturing business for net proceeds of $38.8 million. As such the financial results of the well fracturing division have been classified as discontinued operations for the year ended December 31, 2009 and comparative 2008 year.

Approximately $1.3 million of the proceeds from the sale were deferred but are guaranteed to be received from the purchaser by August 13, 2010 in re-imbursement of prepaid fracturing sand inventories used by the purchaser between August 14, 2009 to August 13, 2010. At December 31, 2009, $0.9 million of these deferred proceeds had been received. In addition, depending on the level of sand purchases by the acquiring company from Pure's former sand supplier, the Corporation could receive up to an additional US $2.5 million in volume rebates from the acquiring company. Given the uncertainty of the amounts to be received for these rebates, no amount has been accrued in the Corporation's financial statements since the sale date.

As a result of the net sales proceeds being less than the carrying value of the well fracturing assets, the Corporation recognized a $16.9 million impairment at June 30, 2009. An additional $0.8 million loss on the sale of these assets was recorded in the third quarter of 2009 as a result of finalizing the sale and was due to changes in estimates regarding closing costs and exchange rates.

The following is a summary of the financial results of the Corporation's well fracturing operations for the years ended December 31, 2009 and 2008:

	2009	2008
Revenue	**$ 21,233**	$ 50,032
Operating expenses	**21,478**	42,819
Gross margin	**(245)**	7,213
Other expenses		
Selling, general and administrative	**720**	1,268
Depreciation and amortization	**2,670**	4,573
Impairment of property and equipment	**16,925**	–
Loss on sale of property and equipment	**844**	–
Earnings (loss) before income taxes	**(21,404)**	1,372
Future income tax expense (reduction)	**(6,518)**	507
Net earnings (loss)	**$ (14,886)**	$ 865

(Stated in thousands of Cdn dollars unless otherwise stated)

The cash flows from discontinued operations for the years ended December 31, 2009 and 2008 are as follows:

	2009	2008
Cash provided by (used in)		
Operating activities		
Net earnings (loss)	**$ (14,886)**	$ 865
Items not involving cash:		
Depreciation and amortization	**2,670**	4,573
Impairment of property and equipment	**16,925**	–
Loss on sale of property and equipment	**844**	–
Future income tax expense (reduction)	**(6,518)**	507
	(965)	5,945
Changes in non-cash working capital balances	**6,681**	(5,056)
	5,716	889
Investing activities		
Purchases of property and equipment	**(3,305)**	(13,180)
Proceeds on sale of property and equipment	**35,305**	–
	32,000	(13,180)
Financing activities		
(Repayment of) proceeds from fixed term loans	**(3,675)**	3,460
	(3,675)	3,460
Increase (decrease) in cash	**$ 34,041**	$ (8,831)

The financial results of the Corporation's well fracturing operations are included in the US Completion Services segment for the purposes of segmented information (Note 14).

The assets and liabilities of the discontinued operations as at December 31, 2009 are comprised of the following:

Current assets	
Other accounts receivable	$ 446
Total assets	**$ 446**

Current liabilities	
Accrued liabilities	$ 110
Total liabilities	**$ 110**

(Stated in thousands of Cdn dollars unless otherwise stated)

17. Capital disclosures

The Corporation's capital structure is comprised of Shareholders' Equity plus Long-Term Debt.

The Corporation's objectives when managing capital are: (i) to maintain a flexible capital structure which optimizes the cost of capital at acceptable risk while providing an appropriate return to its shareholders; ii) to manage capital in a manner which balances the interests of equity and debt holders; iii) to manage capital in a manner that will maintain compliance with its financial covenants; and iv) to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Corporation manages its capital structure and makes adjustments in accordance with the aforementioned objectives and also in light of changes in economic conditions. In order to maintain or adjust its capital structure, the Corporation may, but is not limited to, issue new shares, issue new debt, or replace existing debt with new debt having different characteristics.

The Corporation monitors capital using a key financial metric of Net Debt to Capitalization, which is not a recognized measure under GAAP and, therefore, is unlikely to be comparable to similar measures of other companies. The Corporation aims to maintain a Net Debt to Capitalization ratio of less than 40% that is calculated as follows:

	2009	2008
Long-term debt, excluding current portion	**$ 47,948**	$ 57,405
Less: Working capital	**15,662**	22,310
Net debt	**32,286**	35,095
Shareholders' equity (net of future tax assets and liabilities)	**97,099**	144,173
Total capitalization	**$ 129,385**	$ 179,268
Net debt to capitalization ratio	**25%**	20%

The Corporation may be required to increase this ratio from time to time as a result of expansion activities or giving effect to the cyclical nature of the business.

The Corporation was in compliance with all debt covenants at December 31, 2009 other than as discussed in Note 9.

18. Financial Risk Management and Financial Instruments

a) Financial risk management

The information below relates to the Corporation's exposure to the following financial risks, and includes discussion of the Corporation's objectives, policies and processes for measuring and managing these risks:

- Credit risk
- Liquidity risk
- Market risk

The Corporation's risk management policies are established to identify and analyze the risks faced by the Corporation, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions related to the Corporation's activities.

Credit risk

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Corporation's receivables from customers.

The Corporation's exposure to credit risk in trade receivables is influenced mainly by the individual characteristics of each customer. A substantial portion of the accounts receivable are with customers who are dependent upon the oil and gas industry, and are subject to normal industry credit risks. The Corporation does not typically obtain collateral from its customers; however, the Corporation does have the ability to place a lien on a customer's well in the event of non-payment.

Under the Corporation's credit policy, each new customer is analyzed individually for credit worthiness before the Corporation's standard payment and delivery terms are offered. The Corporation's review process includes review of trade references, financial statements and debt analysis (bank references) in addition to input from management. Extending credit to existing customers will continue as long as these customers have an acceptable payment history and continuing acceptable financial condition. The Corporation will not extend credit to those customers that fail to meet the Corporation's benchmark credit tests and will only transact with these customers on a prepayment basis.

The Corporation has significant exposure to one major customer in both its Canadian and US operations. The customer is a large public Canadian oil and natural gas exploration company. For the year ended December 31, 2009, 22% or $30.7 million (2008 – 36% or $68.9 million) of the Corporation's total revenue (from continuing and discontinued operations) was derived from this customer. As at December 31, 2009, $2.0 million (2008 – $5.5 million) of the Corporation's accounts receivable balance included amounts outstanding from this customer.

The carrying amount of accounts receivable represents the maximum credit exposure. The Corporation establishes an allowance for doubtful accounts that represents an estimate of incurred losses in respect of trade and other receivables. Customers with balances over 60 days are reviewed by management on a weekly basis, and if necessary, an allowance may be set up, or alternatively, the Corporation may place a lien on the customer's well.

During 2009, the Corporation increased its allowance for doubtful accounts receivable by $500, of which $223 related to a provision for bad debts with the remaining $277 related to the accounts receivable acquired from CanSub. The Corporation wrote off $314 of customers' accounts deemed uncollectible against the allowance for doubtful accounts during 2009. There were no liens placed on any wells of the Corporation's customers during 2009.

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they become due. The Corporation's approach to managing liquidity is to ensure, as much as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Corporation's reputation.

In managing liquidity risk, the Corporation prepares annual capital expenditure budgets, which are approved by the Corporation's Board of Directors and regularly monitored and updated as considered necessary. The Corporation utilizes authorizations for capital expenditures to further manage its capital expenditure program.

(Stated in thousands of Cdn dollars unless otherwise stated)

Management believes that the Corporation has sufficient access to capital through internally generated cash flows and its available credit facilities to meet its financial obligations. At December 31, 2009, the Corporation had aggregate credit facilities of $78,000 (note 9), of which $26,895 was available and undrawn. Based on the reduced aggregate amount of credit facilities effective March 9, 2010, the available undrawn amount at December 31, 2009 would have been $16,895, subject to the Corporation meeting the covenants governing these facilities The Corporation believes it has sufficient funding through the use of these facilities to meet foreseeable borrowing requirements. The following is a summary of the contractual maturities of financial liabilities, including interest payments, at December 31, 2009:

	Carrying Amount	Contractual Cash flows	6 months or less	6 to 12 months	1 to 3 years	4 to 5 years	After 5 years
Accounts payable and accrued liabilities	14,359	14,359	14,359	–	–	–	–
Revolving Facility*	47,900	53,013	1,072	1,072	50,869	–	–
Capital lease facilities*	151	177	57	57	63	–	–
Operating leases*	–	38,072	4,148	4,149	11,763	9,214	8,798
Total	62,410	105,621	19,636	5,278	62,695	9,214	8,798

* *Contractual cash flows include principal plus interest*

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other price risks, consisting primarily of fluctuations in commodity prices, will affect the Corporation's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

CURRENCY RISK

As the Corporation operates in Canada and the US, fluctuations in the exchange rate between the US/Canadian dollar can have a significant effect on the fair value or future cash flows of the Corporation's financial assets and liabilities.

The Canadian operations are exposed to currency risk on foreign currency denominated financial assets and liabilities with adjustments recognized as foreign exchange gains and/or losses in the consolidated statement of earnings (loss).

The US operations with a domestic functional currency exposes the Corporation to currency risk on the translation of the US operations' financial assets and liabilities to Canadian dollars for consolidation. Adjustments arising when translating the US operations into Canadian dollars are reflected in the consolidated statement of accumulated other comprehensive income ("AOCI") as unrealized gains or losses on translating financial statements of self-sustaining foreign operations.

For the year ended December 31, 2009, a fluctuation of one percent in the value of the US dollar would have amounted to an increase or decrease in net income and other comprehensive income of $4 and $295 respectively.

(Stated in thousands of Cdn dollars unless otherwise stated)

Management does not use any derivative instruments to hedge this risk. The Corporation had no forward exchange rate contracts in place as at or during the years ended December 31, 2009 or 2008.

INTEREST RATE RISK

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Corporation manages its exposure to interest rate risk through a combination of fixed and variable rate borrowing facilities that are available if required. An increase or decrease in interest expense for each one percent change in interest rates on the average balances of variable rate debt would have amounted to $542 and $530 during the years ended December 31, 2009 and 2008, respectively. As at December 31, 2009, all borrowings, except capital leases of $151 were at variable rates.

The Corporation had no interest rate swap or financial contracts in place as at or during the years ended December 31, 2009 or 2008.

COMMODITY PRICE RISK

The Corporation is not directly exposed to commodity price risk as it does not have any contracts that are directly based on commodity prices. A change in commodity prices, specifically oil and natural gas prices, could have a material impact on cash flows of the Corporation's customers and could therefore affect the demand for drilling and well completion services from these customers. However, given that this is an indirect influence, the financial impact for the Corporation of changing oil and natural gas prices is not reasonable determinable.

b) Fair value of financial instruments

The Corporation's financial instruments as at December 31, 2009 and 2008 include cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and long-term debt. The fair value of cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities approximate their carrying amounts due to their short-terms to maturity.

Long-term debt bears interest at a floating market rate and accordingly the fair market value approximates the carrying value.

	Category	Measurement Method	Carrying Value	Fair Value
Cash and cash equivalents	Held for trading	Fair value	$ 1,986	$ 1,986
Accounts receivable	Loans and receivables	Amortized cost	23,297	23,297
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost	(14,359)	(14,359)
Long-term debt	Other financial liabilities	Amortized cost	(48,051)	(48,059)
			$ (37,127)	$ (37,135)

BOARD OF DIRECTORS

J. Kevin Delaney
Chief Executive Officer (Chairman)

Harold R. Allsopp [1][2]
Independent Businessman (Lead Director)

Robert Wilkinson [1][2][3]
Independent Businessman

Bradley Gabel
President,
Canadian Completion Services

James C. Smith [1][3]
Independent Businessman

Miles Lich [2]
Managing Director,
Northern Plains Capital

Harry Knutson[3]
Chairman &
Chief Executive Officer
Nova Bancorp Group

(1) Member of the Audit Committee
(2) Member of the Compensation Committee
(3) Member of the Corporate Governance Committee

EXECUTIVE OFFICERS

J. Kevin Delaney
Chief Executive Officer

Chris N. Martin
Vice President, Finance
and Chief Financial Officer

Rutger C.L. Niers
President, Drilling
and US Completion Services

M. Paul DeBonis
President, Pure Energy Services (USA), Inc.

Bradley Gabel
President,
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HSBC Bank Canada

TRANSFER AGENT

Olympia Trust Company

AUDITOR

KPMG LLP